

**COPY-**

**Application**

**Crestwyn**

**Behavioral**

**Health**

**CN1310-040**





STATE OF TENNESSEE  
Health Services and Dev Agency  
Office 31607001  
10/16/2013 10:34 AM

Cashier: annir0811001  
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Workstation: AF0719WP45

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CON Filing Fees	
Receipt #: 10977707	\$45,000.00
HA01 CON Filing Fees	\$45,000.00
Payment Total:	\$45,000.00
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Transaction Total:	\$45,000.00
Check 21	\$45,000.00

Thank you for your payment.  
Have a nice day!

CH1310-040

THIS MULTITONE AREA OF THE DOCUMENT CHANGES COLOR GRADUALLY AND EVENLY FROM DARK TO LIGHT WITH THE DARKER AREAS AT THE TOP AND BOTTOM.

ACADIA HEALTHCARE COMPANY, INC  
830 CRESCENT CENTRE DRIVE  
FRANKLIN, TN 37067-7217

BANK OF AMERICA  
150 MINDSORE STREET  
HARTFORD, CT 06120

PAY TO THE ORDER OF  
\*\*\*\*\*  
FORTY-FIVE THOUSAND DOLLARS AND NO CENTS  
EXACTLY

TN HEALTH SERVICES & DEVL AGENCY  
THE FROST BUILDING 3RD FL  
161 ROSAL PARKS BLVD  
NASHVILLE, TN 37243-0000

CHECK NUMBER 980008417  
CHECK DATE 10/14/13  
PAID TO THE ORDER OF  
VOID AFTER 90 DAYS  
PAY THIS AMOUNT \$45,000.00  
VOID 10/16/2013  
548216  
\$45,000.00  
THANK YOU FOR YOUR PAYMENT

0980008417 0011900445 002240014938



October 14, 2013

Melanie M. Hill, Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, Third Floor  
161 Rosa Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application Submittal  
Crestwyn Behavioral Health--A New 60-Bed Psychiatric Hospital  
Germantown, Shelby County

Dear Mrs. Hill:

This letter transmits an original and two copies of the subject application. The affidavit and filing fee are enclosed.

I am the contact person for this project. Brant Phillips of Bass, Berry is legal counsel. Please advise me of any additional information you may need. We look forward to working with the Agency on this project.

Respectfully,



John Wellborn  
Consultant



**CRESTWYN  
BEHAVIORAL HEALTH**

**CERTIFICATE OF NEED APPLICATION  
TO ESTABLISH  
A 60-BED PSYCHIATRIC HOSPITAL  
IN GERMANTOWN, SHELBY COUNTY**

**Submitted August 2013**



**PART A****1. Name of Facility, Agency, or Institution**

Crestwyn Behavioral Health		
<i>Name</i>		
Unaddressed tract on east side of Crestwyn Hills Drive, 0.2 miles south of the intersection of Crestwyn Hills Drive with Winchester Road		
<i>Street or Route</i>		Sumner
<i>County</i>		
Hendersonville	TN	37075
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**2. Contact Person Available for Responses to Questions**

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

**3. Owner of the Facility, Agency, or Institution**

Crestwyn Health Group, LLC		
<i>Name</i>		
c/o Acadia Healthcare, 830 Crescent Centre Drive, Suite 610		Williamson
<i>Street or Route</i>		<i>County</i>
Franklin	TN	37067
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**4. Type of Ownership or Control (Check One)**

A. Sole Proprietorship	<input type="checkbox"/>	F. Government (State of TN or Political Subdivision)	<input type="checkbox"/>
B. Partnership	<input type="checkbox"/>	G. Joint Venture	<input type="checkbox"/>
C. Limited Partnership	<input type="checkbox"/>	H. Limited Liability Company	<input checked="" type="checkbox"/>
D. Corporation (For-Profit)	<input type="checkbox"/>	I. Other (Specify):	<input type="checkbox"/>
E. Corporation (Not-for-Profit)	<input type="checkbox"/>		<input type="checkbox"/>

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**



**5. Name of Management/Operating Entity (If Applicable)** **NA**

<i>Name</i>		
<i>Street or Route</i>	<i>County</i>	
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**6. Legal Interest in the Site of the Institution (Check One)**

A. Ownership	<input type="checkbox"/>	D. Option to Lease	<input type="checkbox"/>
B. Option to Purchase	<input type="checkbox"/>	E. Other (Specify):	<input type="checkbox"/>
C. Lease of _____ Years	<input type="checkbox"/>		<input type="checkbox"/>

**7. Type of Institution (Check as appropriate—more than one may apply)**

A. Hospital (Specify): General	<input type="checkbox"/>	I. Nursing Home	<input type="checkbox"/>
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty	<input type="checkbox"/>	J. Outpatient Diagnostic Center	<input type="checkbox"/>
C. ASTC, Single Specialty	<input type="checkbox"/>	K. Recuperation Center	<input type="checkbox"/>
D. Home Health Agency	<input type="checkbox"/>	L. Rehabilitation Center	<input type="checkbox"/>
E. Hospice	<input type="checkbox"/>	M. Residential Hospice	<input type="checkbox"/>
F. Mental Health Hospital	<input checked="" type="checkbox"/>	N. Non-Residential Methadone	<input type="checkbox"/>
G. Mental Health Residential Facility	<input type="checkbox"/>	O. Birthing Center	<input type="checkbox"/>
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)	<input type="checkbox"/>	P. Other Outpatient Facility (Specify):	<input type="checkbox"/>
	<input type="checkbox"/>	Q. Other (Specify):	<input type="checkbox"/>

**8. Purpose of Review (Check as appropriate—more than one may apply)**

A. New Institution	<input checked="" type="checkbox"/>	G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	<input type="checkbox"/>
B. Replacement/Existing Facility	<input type="checkbox"/>	H. Change of Location	<input type="checkbox"/>
C. Modification/Existing Facility	<input type="checkbox"/>	I. Other (Specify):	<input type="checkbox"/>
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)	<input type="checkbox"/>		<input type="checkbox"/>
E. Discontinuance of OB Service	<input type="checkbox"/>		<input type="checkbox"/>
F. Acquisition of Equipment	<input type="checkbox"/>		<input type="checkbox"/>



### 9. ***Bed Complement Data***

*(Please indicate current and proposed distribution and certification of facility beds.)*

	<b>Current Licensed Beds</b>	<b>CON approved beds (not in service)</b>	<b>Staffed Beds</b>	<b>Beds Proposed (Change)</b>	<b>TOTAL Beds at Completion</b>
A. Medical					
B. Surgical					
C. Long Term Care Hosp.					
D. Obsetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric				15	15
I. Geriatric Psychiatric				15	15
J. Child/Adolesc. Psych.				15	15
K. Rehabilitation					
L. Nursing Facility (non-Medicaid certified)					
M. Nursing Facility Lev. 1 (Medicaid only)					
N. Nursing Facility Lev. 2 (Medicare only)					
O Nursing Facility Lev. 2 (dually certified for Medicare & Medicaid)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child/Adolescent Chemical Dependency				15	15
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>60</b>

<b>10. Medicare Provider Number:</b>	to be requested
<b>Certification Type:</b>	psychiatric hospital
<b>11. Medicaid Provider Number:</b>	to be requested
<b>Certification Type:</b>	psychiatric hospital

**12. & 13. See page 4**



**A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?**

This will be a new licensed facility. Certification will be requested for both Medicare and Medicaid/TennCare. This facility's sister hospital in Memphis is certified for both programs.

**A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? Yes IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.**

**DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.**

<b>Table One: Contractual Relationships with Service Area MCO's</b>	
<b>Available TennCare MCO's</b>	<b>Applicant's Relationship</b>
BlueCare	to be contracted
United Community Healthcare Plan (formerly AmeriChoice)	to be contracted
Select	to be contracted

The applicant's parent company, Acadia Healthcare, owns Delta Medical Center in Memphis. That facility provides both general acute care and psychiatric care services. Delta is contracted with BlueCare and with United. In addition, Crestwyn Behavioral Health will seek contracts with the Medicaid programs in adjoining Arkansas and Mississippi, areas which will contribute a substantial number of patients of all income levels to this facility.



## **SECTION B: PROJECT DESCRIPTION**

**B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.**

### Proposed Services and Equipment

- The project is to establish Crestwyn Behavioral Health (“Crestwyn”), a 60-bed psychiatric hospital, located in Germantown in southeast Shelby County. Crestwyn will serve adult, geriatric adult, and child and adolescent psychiatric patients, and will also provide adult chemical dependency services. It will provide 15 beds for each program. Its services will include inpatient acute care, partial hospitalization, and outpatient care. The project site in Germantown will be contributed by Baptist Memorial Health Services, Inc., which will be a minority owner in the project.

- The project will not increase the number of licensed hospital beds in Shelby County. The CON applicant’s parent company, Acadia Healthcare, owns 243-bed Delta Medical Center in central Shelby County. When the Crestwyn facility opens, Delta will reduce its licensed hospital bed complement by 60 beds--40 general medical-surgical beds and 20 psychiatric beds.

- Advanced discussions are underway with another Shelby County hospital to become part of the project and to relocate some of its own licensed hospital beds to the project. If this occurs, that hospital and Delta Medical Center together will delicense a total of 60 acute care hospital beds, all of which will be acute psychiatric beds.

### Ownership Structure

- The applicant and future licensee is Crestwyn Health Group, LLC. Until the CON is granted, this LLC will be wholly owned by Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company, Inc. Acadia Healthcare is a Tennessee-based healthcare company that currently operates 49 psychiatric and chemical dependency facilities in 21 States and Puerto Rico--including Delta Medical Center in Memphis, which provides both psychiatric and general medical-surgical services. Attachment A.4 contains information on the facilities owned by this facility’s parent organization.

- Crestwyn has been planned as a collaboration among existing hospital systems in Memphis, who will contribute land or licensed beds to the project, and will have ownership interests. This cooperative approach represents sound healthcare planning and a “first” for West Tennessee. At the time of filing, two systems are committed to the project and a third is still in discussions. Baptist Memorial Health Services, Inc. will receive a 20% minority membership interest in the applicant LLC, as compensation for contributing the site (land) for the project. The other local hospital system may take a similar minority interest in the project, and, if so, will delicense up to 40 of its own psychiatric beds after the Crestwyn facility opens. However, the applicant LLC’s current owner (Acadia Healthcare) will maintain majority ownership with at least 60% of membership interests, both during and after the review process.



### Service Area

- Crestwyn will provide mental healthcare to residents of a 68-county region in three States. Like that of its sister facility Delta Medical Center, Crestwyn's 20-county primary service area ("PSA"), from which 86.4% of admissions will come, will consist of 10 Tennessee counties, 4 Mississippi counties, and 6 Arkansas counties. Crestwyn's secondary service area will consist of 48 additional counties in those and other States.

### Need

- The project will relocate and re-purpose underutilized hospital beds within Shelby County--moving them from the over-built, older central area of the county to the high-growth southeast sector. This will:

(a) Give the county's high-growth southeast sector its first dedicated psychiatric beds, an option long available in northeast and central Shelby County;

(b) Replace old, unused beds in central Shelby County with new beds in a comprehensive mental healthcare hospital;

(c) Replace 65 freestanding psychiatric hospital beds recently closed by another provider in central Shelby County, with 60 freestanding psychiatric hospital beds in the county's largest growth area; and

(d) Improve the area's financial and physical access to comprehensive inpatient mental health care in a state-of-the-art private hospital setting.

- The need is supported by area hospitals and mental health care providers. Those include Memphis hospitals, both State mental health hospitals in West Tennessee (in Bolivar and Memphis), and hospitals and crisis centers.

- Acadia Healthcare, Crestwyn's parent company, already operates Delta Medical Center, an older facility in central Shelby County. Delta provides general and psychiatric care to a community with significant TennCare, Medicare, and indigent residents. It has a "disproportionate share provider" (DSH) Medicare designation, providing essential extra reimbursement for its high rate of service to elderly and low-income patients.

- Delta's 90 psychiatric beds are at very high occupancy. Adding to them by converting medical-surgical beds is not financially feasible for Delta, due to (a) high construction costs in an old facility, (b) site limitations, and (c) major Medicare DSH reimbursement reductions if medical-surgical beds are reduced significantly. Expanding Acadia's program into a two-facility system (Delta and Crestwyn) is the orderly way for Acadia to continue meeting regional and local needs, and to continue serving its community at robust levels.

- Establishment of the new hospital by relocating underutilized beds from other locations within the county will provide a needed new resource without increasing the total number of licensed hospital beds in Shelby County.



### Existing Resources

- Shelby County has three general hospitals with licensed psychiatric bed units, two freestanding psychiatric hospitals (a third recently closed), and an approved 16-bed geropsychiatric hospital that remains unimplemented six years after its CON approval. None of these is located in southeast Shelby County, where Germantown and Collierville have been two of Tennessee's fastest growing cities.

### Project Cost, Funding, Financial Feasibility, and Staffing

- The project cost for CON purposes is estimated at \$26,875,862, which includes the market value of the hospital site being contributed by Baptist Memorial Health Services, Inc. and a contingency for purchasing underutilized beds elsewhere in Shelby County, which can be delicensed when Crestwyn opens. The project's cash requirements will be funded entirely by a cash transfer from Acadia Healthcare Company, the parent company of the applicant. The applicant projects that the Crestwyn Behavioral Health facility will have a positive operating margin in Year Two of operation. The new facility will have a professional staff of 55 FTE's in Year Two.



**B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.**

**B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.*) INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.**

<b>Table Two: Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$250 PSF

<b>Table Three: Facility Size</b>	
1. Building Area	58,250 GSF
2. Building Type	Single story, central services core and two patient wings
3. Size of Site	18.9 acres
4. Licensed Beds	
Adult Psychiatric	15 beds--5 private; 10 semiprivate
Geropsychiatric	15 beds--5 private; 10 semiprivate
Child & Adolescent	15 beds--5 private; 10 semiprivate
Chemical Dependency	15 beds--5 private; 10 semiprivate
Totals	60 beds--20 private; 40 semiprivate

Physical Description of the Facility

The Crestwyn Behavioral Health facility will be constructed on an 18.9-acre plot of land (Parcel 1) within a large tract of open land in Germantown. The City of Germantown has not yet assigned it a street address. The site is on the east side of Crestwyn Drive, approximately one-fourth mile south of that street's intersection with Winchester Road. The site is being contributed by Baptist Memorial Health Services.

The main entrance to the hospital will be a new hospital drive going approximately 100 yards east from Crestwyn Drive, to the front of the hospital. North of the hospital property is an existing office park. An alternate entrance to the hospital grounds will be provided by an extension of that business park's main drive to connect to the new hospital drive near the front of the hospital. A location and site map are attached after this section to illustrate the position of the proposed hospital.



The facility design has a central “core” area of services, flanked by two wings of patient rooms with their own support and treatment areas. The hospital front entrance is in the center of the northwest side of this building. The entrance opens into a reception and waiting area, flanked by admitting and consultation rooms. To the right of this entrance lobby is an administrative area with staff offices and conference rooms. To the left of the entrance lobby is an outpatient reception and waiting area with its own outpatient therapies spaces, consultation rooms, and group treatment room.

Beyond the entrance lobby, in the middle of this core area, are food services and a large patient gymnasium. Beyond those, on the southeast side of the core building, there is an Education Center with three classrooms, an activity therapy room, and four group therapy rooms. It also contains staff offices and support spaces (workroom, files, etc.).

Flanking the core are two large wings of patient rooms, each with additional patient care and support spaces. Each wing contains two bed units. The eastern bed wing contains the child and adolescent unit and the geropsychiatric unit; the southern wing contains the adult psychiatric unit and the adult substance abuse unit. Each of those four bed units has fifteen patient beds--five in private rooms, and ten in semiprivate rooms. Each of the four units has activity rooms, comfort and seclusion rooms, support spaces, staff offices, and other features.

For the CON Agency’s convenience, an overall site and floor plan are attached at the end of this section, following location and site maps. Expanded plans are provided in the Attachments at the back of the application.

#### Closure of Older Beds To Offset the Sixty New Crestwyn Beds

Table Four on the following page shows the changes in Shelby County beds that will occur after Crestwyn opens, to offset the 60 proposed Crestwyn beds. If the anticipated agreement with another hospital system is achieved, that system will delicense up to 40 psychiatric beds and Delta Medical Center will delicense 20 psychiatric beds and sufficient medical-surgical beds to cause a combined delicensure of



60 beds at the two existing hospitals. If the agreement is not reached, Delta will delicense 20 psychiatric beds and 40 medical-surgical beds. Either way, Crestwyn's 60 hospital beds will be offset by delicensure of 60 beds elsewhere in the county.

<b>Table Four: Proposed Changes in Assignment of Licensed Hospital Beds at Other Shelby County Hospitals</b>		
<b>Licensed Bed Assignment</b>	<b>Current</b>	<b>Proposed</b>
Delta Medical Center		
General Acute	153	113 (-40) to 153
Adult Psychiatric	90	70 (-20)
Child & Adolescent Psychiatric	na	na
Chemical Dependency	na	na
Total	243	183 (-60) to 233 (-20)
Second <b>Potential</b> Hospital Partner	confidential	(-0) to (-40)

*Source: Acadia Healthcare*

#### Operation of the Facility

As a licensed inpatient acute care facility, Crestwyn will operate 24 hours daily throughout the year. If granted final CON approval during CY 2014, the project is expected to complete final plan approval and complete construction during early 2015.

#### Ownership of the Facility

The CON applicant and prospective licensee is Crestwyn Health Group, LLC. Until the CON is granted, that LLC will be wholly owned by Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company, Inc. Acadia Healthcare is a Tennessee-based healthcare company that currently operates 49 psychiatric and chemical dependency facilities in 22 States, and Delta Medical Center in Memphis, which provides both psychiatric and general medical-surgical services. Attachment A.4 contains information on the facilities owned by this facility's parent organization.



After the CON is granted, one or more other Memphis acute care systems are expected to acquire minority interests in the LLC. Baptist Memorial Health Services, Inc. will receive a 20% membership interest in the applicant LLC, as compensation for contributing the land for the project. If it joins the project, the third hospital system will receive a similar minority interest in the LLC in connection with delicensing 40 of its psychiatric beds when Crestwyn opens. So the project is a joint venture between at least two, and potentially three, established acute care providers in Shelby County. However, approximately 60% majority control of the LLC will remain with Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company.

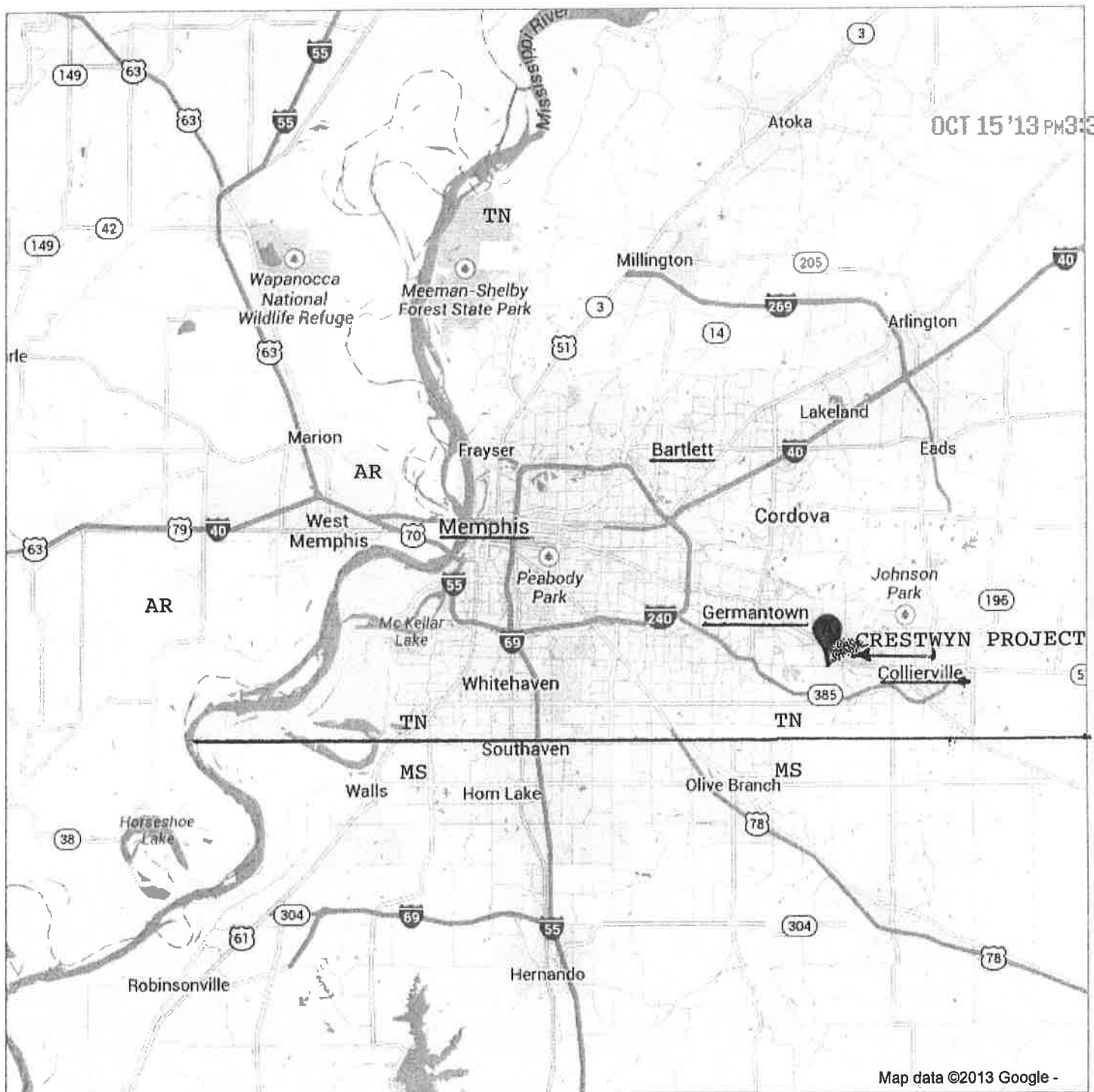
#### Financing of the Project

The required capital expenditures, as much as approximately \$25,200,000, will be funded by the applicant's ultimate parent company, Acadia Healthcare Company. The Attachments contain Acadia's funding commitment letter and its income statement and balance sheet.



Google

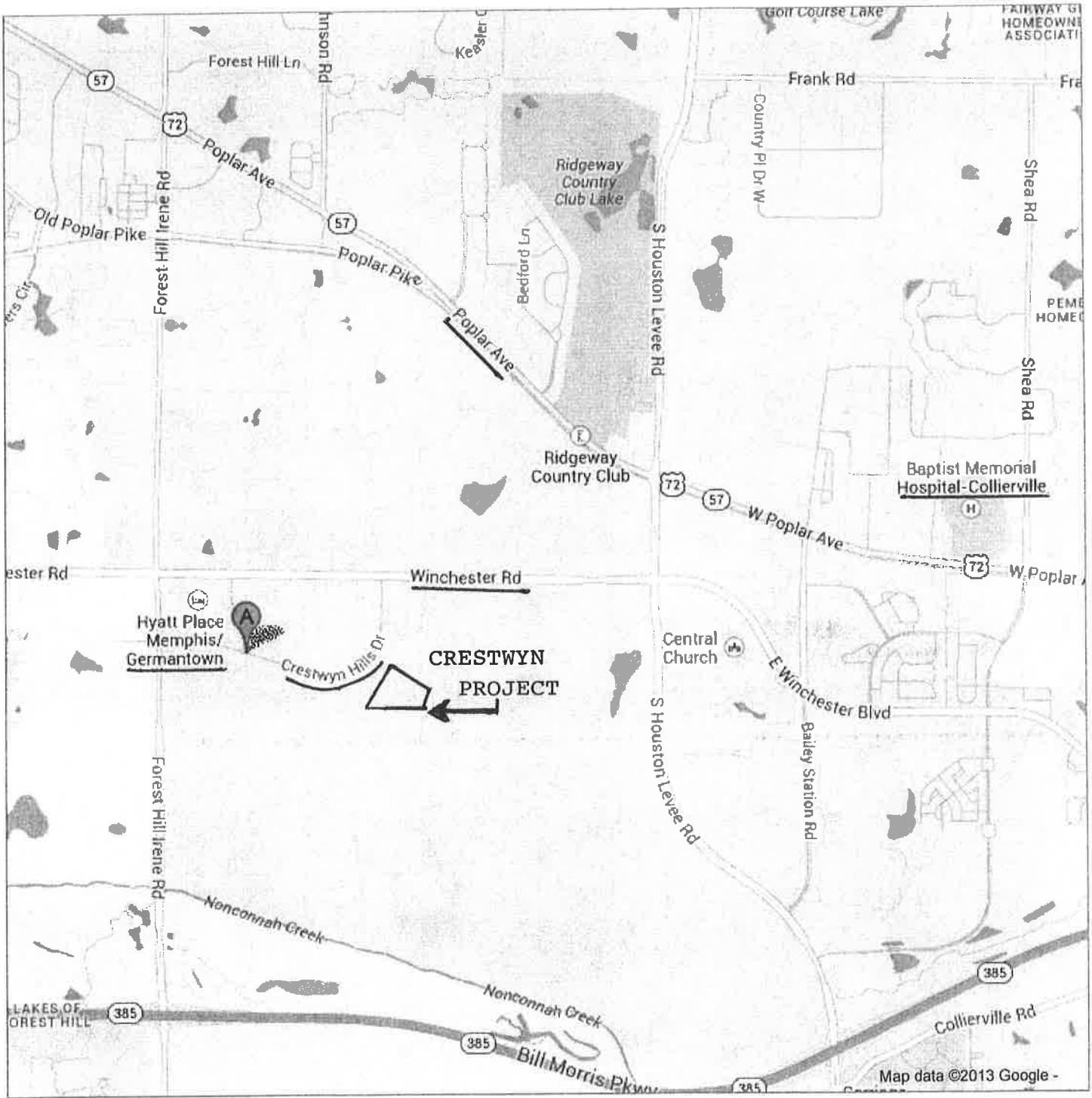
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To see all the details that are visible on the screen, use the "Print" link next to the map.

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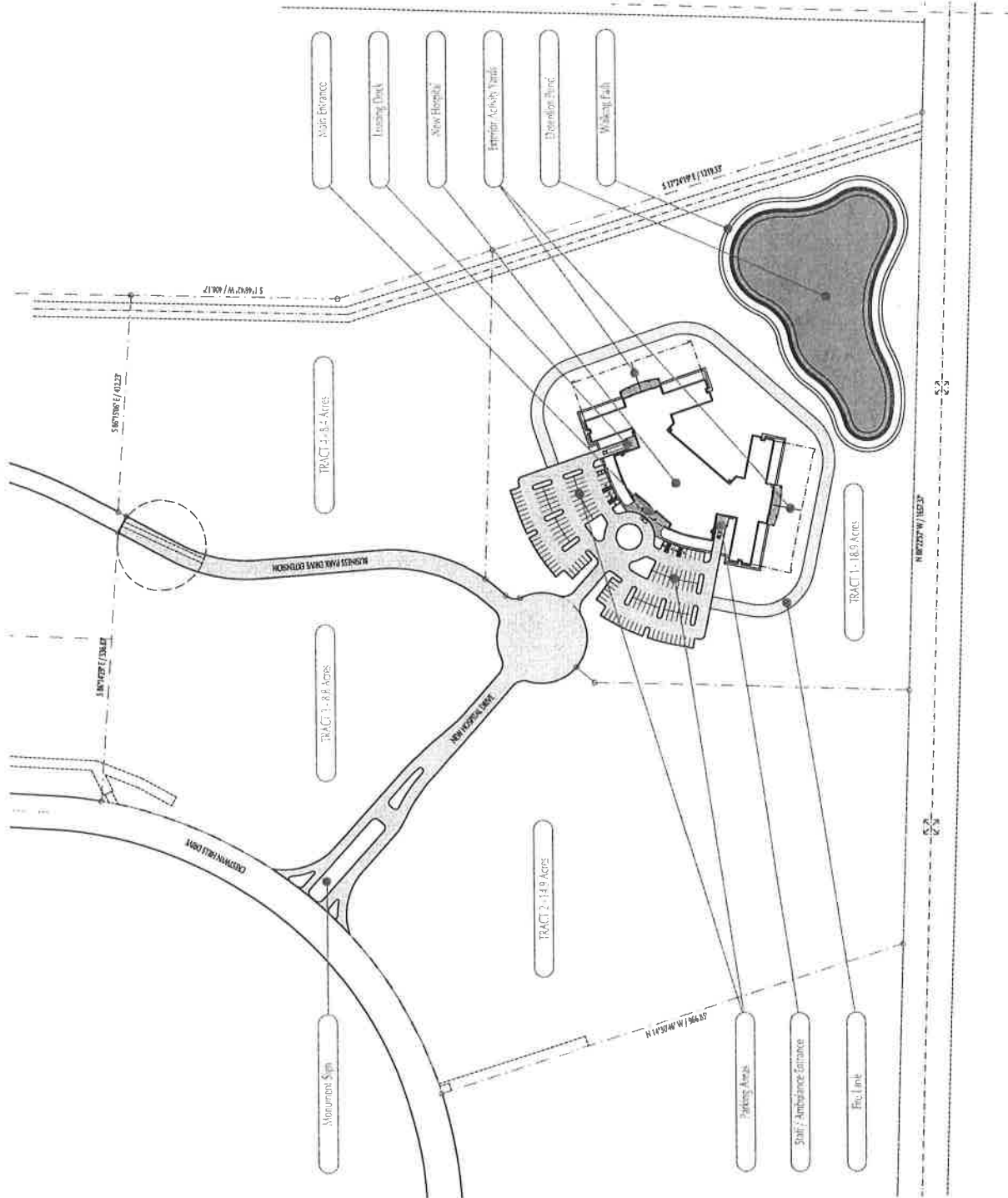


**NEW 60-BED INPATIENT PSYCHIATRIC HOSPITAL**

LEGEND	
	New Building Area
	56,350 sf

GRAPHIC SCALE			
0	100	200	400'

CONCEPTUAL SITE PLAN	
NEW INPATIENT PSYCHIATRIC HOSPITAL	
CRENSHAW HEALTH GROUP, LLC	
BIRMINGHAM, ALABAMA	
<b>CO01-01</b>	
11 JAN 2013	





NEW 60-BED INPATIENT PSYCHIATRIC HOSPITAL

LEGEND

New Building Area

Circulation Area

58,250 sf

GRAPHIC SCALE

0

15

30

60

CONCEPTUAL COMPOSITE FLOOR PLAN

NEW INPATIENT PSYCHIATRIC HOSPITAL

CRISTINA HEALTH GROUP, LLC

MEMPHIS, TENNESSEE

CO01-02

11 JUNE 2013





**APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF \$5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF \$2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART.**

**UTILIZING THE ATTACHED CHART....**

See Attachment B.II.A.

**PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.**

Hospital construction projects approved by the HSDA in 2010-2012 had the following average construction costs per SF:

<b>Table Five: Hospital Construction Cost PSF Years: 2010 – 2012</b>			
	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$99.12/sq ft	\$234.64/sq ft	\$167.99/sq ft
<b>Median</b>	\$177.60/sq ft	<b>\$259.66/sq ft</b>	\$235.00/sq ft
3 <sup>rd</sup> Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012*

The Crestwyn Behavioral Health facility will be cost-effective and consistent with those averages. The project's estimated construction cost is approximately \$250 PSF, consistent with the HSDA's published median cost PSF in those years.

<b>Table Two: (Repeated from Previous Section): Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$250 PSF

**IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.**

Not applicable.



**B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.**

The project is a new psychiatric hospital. Its proposed bed assignments are shown in Table Six-A below. Table Six-B below shows how existing beds in one to two other Shelby County hospitals will be delicensed to fully offset the 60 new beds at Crestwyn.

<b>Table Six-A: Proposed Assignment of Licensed Hospital Beds Crestwyn Behavioral Health</b>	
<b>Service</b>	<b>Proposed Bed Assignment</b>
Adult Psychiatric	15
Geropsychiatric	15
Child & Adolescent Psychiatric	15
Adult Chemical Dependency	15
<b>Total Bed Assignments</b>	<b>60</b>

*Source: Hospital management*

<b>Table Six-B: Proposed Changes in Assignment of Licensed Hospital Beds at Other Shelby County Hospitals</b>		
<b>Licensed Bed Assignment</b>	<b>Current</b>	<b>Proposed</b>
Delta Medical Center		
General Acute	153	113 (-40) to 153
Adult Psychiatric	90	70 (-20)
Child & Adolescent Psychiatric	0	0
Chemical Dependency	0	0
<b>Total</b>	<b>243</b>	<b>183 (-60) to 233 (-20)</b>
Second <b>Potential</b> Hospital Partner	confidential	(-0) to (-40)

*Source: Acadia Healthcare*



**B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):**

- 1. ADULT PSYCHIATRIC SERVICES**
- 2. ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS**
- 3. BIRTHING CENTER**
- 4. BURN UNITS**
- 5. CARDIAC CATHETERIZATION SERVICES**
- 6. CHILD AND ADOLESCENT PSYCHIATRIC SERVICES**
- 7. EXTRACORPOREAL LITHOTRIPSY**
- 8. HOME HEALTH SERVICES**
- 9. HOSPICE SERVICES**
- 10. RESIDENTIAL HOSPICE**
- 11. ICF/MR SERVICES**
- 12. LONG TERM CARE SERVICES**
- 13. MAGNETIC RESONANCE IMAGING (MRI)**
- 14. MENTAL HEALTH RESIDENTIAL TREATMENT**
- 15. NEONATAL INTENSIVE CARE UNIT**
- 16. NON-RESIDENTIAL METHADONE TREATMENT CENTERS**
- 17. OPEN HEART SURGERY**
- 18. POSITIVE EMISSION TOMOGRAPHY**
- 19. RADIATION THERAPY/LINEAR ACCELERATOR**
- 20. REHABILITATION SERVICES**
- 21. SWING BEDS**

**Overview**

The project's benefits to the service area include the following:

- (a) improved distribution of inpatient psychiatric beds within Shelby County;
- (b) comprehensive inpatient mental healthcare in a state-of-the-art facility;
- (c) improved financial accessibility relative to other such private facilities;
- (d) the area's first cooperative psychiatric project among local hospital systems;
- (e) potential training of physicians from U.T. medical school programs.

Because all 60 of the project's beds will be replacing beds at older facilities in Memphis, the project will not increase total licensed hospital bed complements. Depending on the outcome of discussions with another hospital system in the area, it is possible that the project will not increase the number of acute psychiatric hospital bed complements in the area.



If that system does not join the project and delicense some of its own psychiatric beds, then Crestwyn will be adding only 40 new psychiatric beds to the area--through conversion of its own older, underutilized medical-surgical beds. It should be noted that those 40 additional psychiatric beds represent barely more than half (53%) of the licensed psychiatric beds that have been **removed** from use in Shelby County in the past year, by bed closures at two Memphis psychiatric hospitals.

(a) Improved Distribution of Resources Within the County

Table Seven below shows distances and drive times between the Crestwyn project site in Germantown, and existing providers of acute inpatient psychiatric services in the 20-county primary service area. Following the table are maps showing those provider locations in the primary service area. Crestwyn's Germantown site is a significant drive time (approximately 25-30 minutes) from almost all other Shelby County providers of inpatient psychiatric care who are not part of this project.

<b>Table Seven: Distances and Drive Times From Project Site To Acute Psychiatric Care Beds in the 20-County Primary Service Area, CY2012</b>				
<b>Provider</b>	<b>Type of Facility</b>	<b>County &amp; State</b>	<b>Miles Distance</b>	<b>Drive Time</b>
Behavioral Health Care Center ( <i>approved/unimplemented</i> )	Psychiatric Hospital	Shelby TN	25.4 miles	29 min.
Community Behavioral Health ( <i>closed</i> )	Psychiatric Hospital	Shelby TN	22.2 miles	27 min.
Delta Medical Center	Unit of M/S Hospital	Shelby TN	12.7 miles	19 min.
Lakeside Behavioral Health	Psychiatric Hospital	Shelby TN	14.6 miles	27 min.
Memphis Mental Health Institute ( <i>State Hospital</i> )	Psychiatric Hospital	Shelby TN	22.1 miles	26 min.
Methodist Univ. Healthcare	Unit of M/S Hospital	Shelby TN	21.6 miles	25 min.
Saint Francis Hospital	Unit of M/S Hospital	Shelby TN	9.0 miles	14 min.
Pathways of TN (Jackson)	Psychiatric Hospital	Madison TN	75.6 miles	83 min.
Western Mental Health Institute ( <i>State Hospital, Bolivar</i> )	Psychiatric Hospital	Hardeman TN	58.4 miles	65 min.

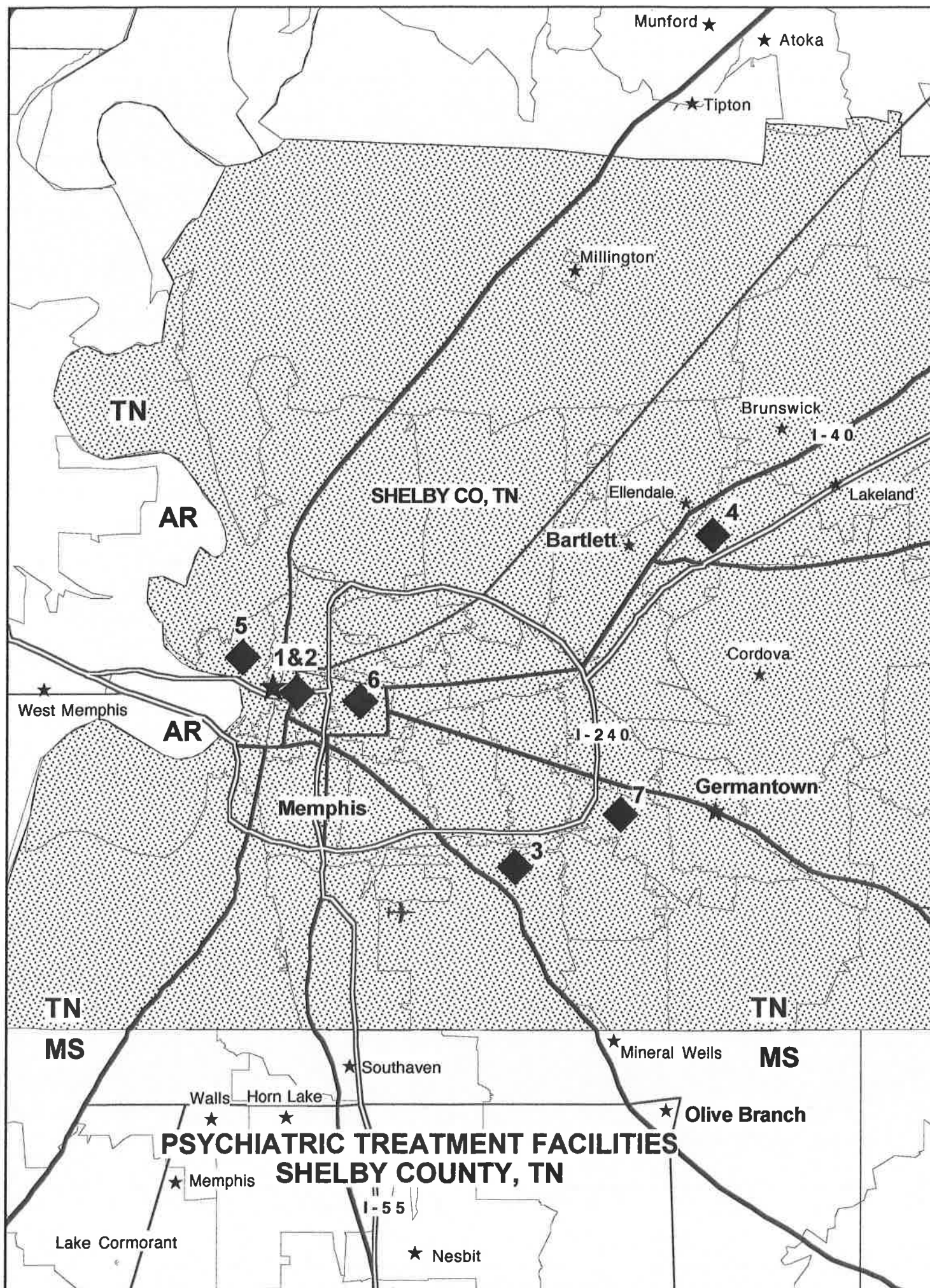


Forrest City Medical Center	Unit of M/S Hospital	St Francis AR	67.3 miles	68 min.
St.Bernard Behavioral Health	Unit of M/S Hospital	Craighead AR	91.9 miles	89 min.
Parkwood Behavioral Health	Psychiatric Hospital	Olive Branch, MS	11.2 miles	21 min.

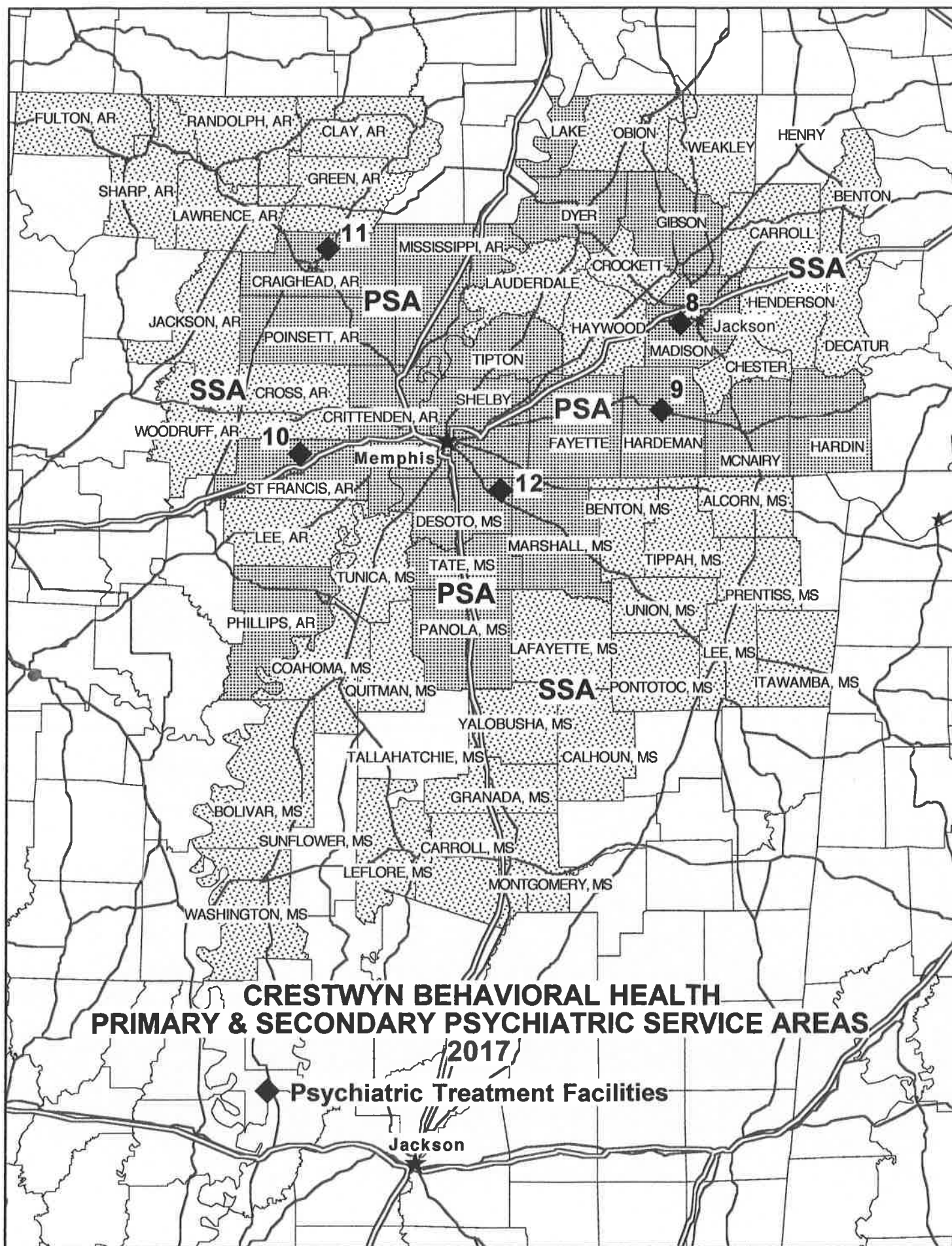
Source: Google Maps, 9-26-13

Addresses of Providers in Table Above	
Behavioral Health Care Center (approved/unimplemented)	Second Ave. North & Pear Avenue, Memphis, TN 38105
Community Behavioral Health (closed)	135 Pauline Street, Memphis, TN 38105
Delta Medical Center	3000 Getwell Road, Memphis, TN 38118
Lakeside Behavioral Health	2911 Brunswick Road, Memphis, TN 38133
Memphis Mental Health Institute (State Hospital)	951 Court Avenue, Memphis, TN 38103
Methodist Univ. Healthcare	1265 Union Avenue, Memphis, TN 38104
Saint Francis Hospital	5959 Park Avenue, Memphis, TN 38119
Pathways of Tennessee	238 Summar Drive, Jackson, TN 38301
Western Mental Health Institute (State Hospital)	11100 US Highway 64, Bolivar, TN 38008
Forrest City Medical Center	1601 New Castle Road, Forrest City, AR 72335
St.Bernard Behavioral Health	2712 E. Johnson Avenue, Jonesboro, AR 72401
Parkwood Behavioral Health	8135 Goodman Road, Olive Branch, MS 38654











## Key to Maps of Acute Psychiatric Hospital Beds in the 20-County Primary Service Area

### Shelby County

1. Behavioral Health Care Center (16-bed geropsychiatric hospital, approved six years ago; unimplemented)
2. Community Behavioral Health (psychiatric hospital, closed in 2013)
3. Delta Medical Center (Acadia Healthcare general hospital with hospital-based psychiatric units)
4. Lakeside Behavioral Health (psychiatric hospital)
5. Memphis Mental Health Institute (State hospital)
6. Methodist University Healthcare (hospital-based psychiatric unit)
7. Saint Francis Hospital (hospital-based psychiatric unit)

### Other Service Area Counties in Tennessee, Arkansas, Mississippi

8. Pathways of Tennessee (freestanding psychiatric hospital, Jackson, TN)
9. Western Mental Health Institute (State hospital, Bolivar, TN)
10. Forrest City Medical Center, St. Francis, Arkansas (hospital-based psychiatric unit)
11. St. Bernard Behavioral Health, Craighead, Arkansas (hospital-based psychiatric unit)
12. Parkwood Behavioral Health, Olive Branch, Mississippi



Shelby County occupies the southwest corner of Tennessee, bounded on the west by the Mississippi River and on the south by the State of Mississippi. It is Tennessee's largest regional acute care referral center, serving all of West Tennessee and many counties in adjoining and nearby States.

Since the 1980's, the Shelby County population has grown rapidly in its northeastern and southeastern sectors, centering on the communities of Bartlett, Germantown, and Collierville. Growth has also been strong to the south, across the Mississippi state line in the areas of Southaven and Horn Lake along I-55.

During the last three decades of high growth, acute care hospitals originally built in "downtown" Memphis implemented a number of Certificates of Need to relocate or to add beds and services to these expanding communities, to keep healthcare services accessible. Physician offices multiplied around those new facilities. These communities now include large new hospitals of the Baptist, Methodist, and Tenet healthcare systems (opened in 1985, 1993, and 2004 respectively), and large numbers of outpatient facilities and medical office buildings. That orderly development of healthcare services--enabled by multiple CON approvals--has been both a response to, and stimulus for, the continuing development of those areas of Shelby County.

However, there has been a lag in orderly redistribution of acute inpatient mental health services to these growth areas. Almost all mental health inpatient beds have remained in the central or northeast side of the Memphis area for years. Comprehensive psychiatric facilities are not available in the southeast sector of the county.

This project will fill that gap. It will be a comprehensive psychiatric and chemical dependency inpatient hospital located in Germantown, in southeast Shelby County. It will be affiliated with Acadia's existing facility in Shelby County, Delta Medical Center, which operates both medical-surgical and psychiatric programs close to I-240 on the south side of Memphis. With both a comprehensive psychiatric hospital (Crestwyn) and a general acute care hospital with psychiatric programs (Delta), Acadia's two-hospital system will be one of only two providers in its service area who offer both acute medical and acute psychiatric care for adolescents and adults of all ages.



(b) Comprehensive Inpatient Mental Healthcare

When Crestwyn opens, Crestwyn and Delta Medical Center (both owned by Acadia Healthcare) will form a coordinated two-facility system--capable of meeting medical needs as well as psychiatric needs of patients. Crestwyn will be able to address psychiatric and chemical dependency needs of adolescents and adults; Delta will continue to serve adult patients with both psychiatric and general acute medical care needs.

This is a unique advantage. None of the primary service area's four freestanding psychiatric hospitals--two in Shelby County; two in rural counties--is able to serve adult patients who also have general acute medical care needs. That is often an issue to referring hospitals and crisis centers. In addition, only one hospital-based psychiatric program in West Tennessee (St. Francis Hospital in Memphis) offers a range of ages and conditions that is as wide as that proposed for Crestwyn.

(c) Improved Financial Accessibility

Crestwyn's entry into the market will provide some additional opportunity for low-income persons to be served. In its second year of operation, Acadia conservatively projects that Crestwyn's payor mix will include 10% self-pay and generate \$248,243 in charity care, which is 1% of gross revenues. In addition it will have a 15% TennCare payor mix.

This projection is validated by Acadia's documented policies at Delta Medical Center, which in 2012 reported a payor mix of 11% self-pay, and charity care of \$5,430,625, which is 4.6% of gross revenues.

By contrast, the only other psychiatric hospital in Memphis with a range of services comparable to Crestwyn is a facility five times as large, with 2012 gross revenues almost five times what is projected for Crestwyn in its second year of operation. That much larger facility's charity care was less than one-half of one percent of gross revenues and its self-pay payor mix was only 1.1% of gross revenues.



(d) Cooperative Planning With Other Area Providers

Acadia joined the market only recently, when it acquired Delta Medical Center-- a struggling community hospital on the verge of bankruptcy/closure--in late January 2013. In that short time, however, Acadia has seen the value of planning this type of project in concert with other area hospitals who recognize the need to re-distribute underused psychiatric resources from older areas to new growth areas as Shelby County population surges outward to the east. The involvement of Baptist Health Services, and the potential involvement of at least one other hospital system in the county, mark the first time that competing Memphis hospital systems have joined together to develop a needed hospital, and to do that in a way consistent with sound health planning goals.

(e) Potential Teaching Affiliations

Since entering the Memphis market in January 2013, Acadia has seen the importance of participation in the training of clinical professionals in psychiatric care, and has initiated a series of meetings with the University of Tennessee College of Medicine in Memphis, to explore establishing health professional training programs at Delta Medical Center and Crestwyn Behavioral Health. Those discussions are ongoing, and they will require some time to complete. But they demonstrate Acadia's commitment to give back to the community, if granted the opportunity to serve the community's patients.

**B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.**

Not applicable.



**B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF \$1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:**

**1. For fixed site major medical equipment (not replacing existing equipment):**

**a. Describe the new equipment, including:**

- 1. Total Cost (As defined by Agency Rule);**
- 2. Expected Useful Life;**
- 3. List of clinical applications to be provided; and**
- 4. Documentation of FDA approval.**

**b. Provide current and proposed schedule of operations.**

**2. For mobile major medical equipment:**

- a. List all sites that will be served;**
- b. Provide current and/or proposed schedule of operations;**
- c. Provide the lease or contract cost;**
- d. Provide the fair market value of the equipment; and**
- e. List the owner for the equipment.**

**3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.) In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

Not applicable; no major medical equipment is proposed.

**B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:**

- 1. SIZE OF SITE (IN ACRES);**
- 2. LOCATION OF STRUCTURE ON THE SITE;**
- 3. LOCATION OF THE PROPOSED CONSTRUCTION; AND**
- 4. NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.**

**PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.**

See Attachment B.III.A.



**B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.**

The table on the following page provides drive times and distances from the Crestwyn site to the principal communities in the twenty-county primary service area (PSA). The Crestwyn facility, to be operated in coordination with Delta Medical Center's psychiatric program, is expected to have the same psychiatric service area as Delta-- a very wide region in three States around Memphis.

Half (10) of the PSA counties' principal communities are approximately one-half to one hour's drive from the site. Another 30% (6) are close to 1.5 hours' drive time. Only 20% (4 counties) are closer to 2.0 or more hours' drive time.

The service area map in this application shows that the primary service area counties have access to Crestwyn via good highways. Via Winchester Road, Crestwyn's site is approximately 15 minutes' drive from I-240, the interstate loop around Memphis, crossed by numerous Interstate and U.S. highways radiating out in all directions: U.S. 51, U.S. 79, I-40, and U.S. 64 northwest and west across West Tennessee; U.S. 72 and U.S. 78 southeast across Mississippi; U.S. 61 and I-55 south across Mississippi; U.S. 64, I-40 and U.S. 79 West and southwest across Arkansas; and U.S. 61, U.S. 63, and I-55 north into Arkansas.

Crestwyn also has access to I-40 Exit 16, via Highway 177 North and Poplar Avenue / Winchester Road. That route allows patients driving in on I-40 from rural West Tennessee to leave I-40 and head due south into Germantown, before reaching heavy traffic on the I-240 loop around Memphis.



**Table Eight: Mileage and Drive Times  
Between Project and Major Communities in the Primary Service Area**

Community	County & State (Patient Origin Ranking)	Distance in Miles	Drive Time in Minutes
Marion	Crittenden, AR (3)	34.4	39"
Blytheville	Mississippi, AR (7)	89.9	89"
Jonesboro	Craighead, AR (11)	92.7	92"
Helena	Phillips, AR (18)	83.7	92"
Forrest City	Saint Francis, AR (16)	69.7	70"
Harrisburg	Poinsett, AR (17)	79.1	80"
Horn Lake	DeSoto, MS (2)	27.8	33"
Holly Springs	Marshall, MS (6)	30.2	37"
Senatobia	Tate, MS (12)	50.4	51"
Batesville	Panola, MS (18)	65.1	64"
Memphis	Shelby, TN (1)	24.0	28"
Jackson	Madison, TN (4)	75.9	87"
Somerville	Fayette, TN (5)	36.3	47"
Bolivar	Hardeman, TN (8)	57.0	63"
Covington	Tipton, TN (9)	49.2	66"
Trenton	Gibson, TN (10)	98.7	111"
Tiptonville	Lake, TN (13)	112.0	141"
Dyersburg	Dyer, TN (14)	86.3	107"
Savannah	Hardin, TN (19)	104.0	114"
Selmer	McNairy, TN (20)	80.4	89"

Community	County & State (Ranked in Order of Patient Referrals)	Distance in Miles	Drive Time in Minutes
1. Memphis	Shelby, TN	24.0	28"
2. Horn Lake	DeSoto, MS	27.8	33"
3. Marion	Crittenden, AR	34.4	39"
4. Jackson	Madison, TN	75.9	87"
5. Somerville	Fayette, TN	36.3	47"
6. Holly Springs	Marshall, MS	30.2	37"
7. Blytheville	Mississippi, AR	89.9	89"
8. Bolivar	Hardeman, TN	57.0	63"
9. Covington	Tipton, TN	49.2	66"
10. Trenton	Gibson, TN	98.7	111"
11. Jonesboro	Craighead, AR	92.7	92"
12. Senatobia	Tate, MS	50.4	51"
13. Tiptonville	Lake, TN	112.0	141"
14. Dyersburg	Dyer, TN	86.3	107"
15. Helena	Phillips, AR	83.7	92"
16. Forrest City	Saint Francis, AR	69.7	70"
17. Harrisburg	Poinsett, AR	79.1	80"
18. Batesville	Panola, MS	65.1	64"
19. Savannah	Hardin, TN	104.0	114"
20. Selmer	McNairy, TN	80.4	89"

Source: Google Maps, 9-26-13



**B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.**

See attachment B.IV.

**IV. FOR A HOME CARE ORGANIZATION, IDENTIFY**

- 1. EXISTING SERVICE AREA (BY COUNTY);**
- 2. PROPOSED SERVICE AREA (BY COUNTY);**
- 3. A PARENT OR PRIMARY SERVICE PROVIDER;**
- 4. EXISTING BRANCHES AND/OR SUB-UNITS; AND**
- 5. PROPOSED BRANCHES AND/OR SUBUNITS.**

Not applicable. The application is not for a home care organization.



## **C(I) NEED**

### **C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.**

**A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.**

**B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).**

The Crestwyn project involves relocating, replacing, and repurposing existing licensed beds in the same county. Moreover, most (if not all) of those beds will be relocated from Acadia's other hospital in the county (Delta Medical Center). No additional hospital beds will be created.

Although the old 2002 State Guidelines for total hospital beds currently identify excess bed capacity in Shelby County and the primary service area around it, CON applications to relocate *existing* hospital beds *within* the same county have typically been granted CON approval. This began several decades ago, with the move of major blocs of downtown general hospital beds into suburban Germantown, Collierville, and Bartlett. As recently as 2012, approval was granted for relocation of "surplus" rehabilitation beds from one sector of Germantown to the other.

The applicant believes that Crestwyn Behavioral Health--which will be entirely a bed relocation project--should also be approved. It modernizes healthcare resources and moves them to a growth sector of the county that does not yet have this type of hospital.

#### **Project-Specific Review Criteria--Acute Care Bed Services**

**1. The following methodology should be used and the need for hospital beds should be projected four years into the future from the current year...(guidelines detail the steps of the bed need projection methodology; see pp. 15-16 of Guidelines for Growth.)**



Following the responses to the Guidelines for hospital beds is an abbreviated copy of the Tennessee Department of Health's October 2012 projection of Tennessee counties' need for hospital beds, 2013-2017. It shows a large "surplus" of beds in Shelby County.

However, Guideline 1 should not be relevant or applied to this project, because the project does not propose to create "new" hospital beds within the meaning of the Guideline -- it will not increase existing hospital bed complements in the service area.

**2. New hospital beds can be approved in excess of the "need standard for a county" if the following criteria are met:**

The criteria under this Guideline are not applicable. Whether or not the project proceeds with two, or three, participating hospitals, the project will delicense the same number of beds in Shelby County that it will construct in Shelby County. There would be no increase in area hospitals' total licensed bed complements, within the meaning of "new hospital beds" in this criterion, as historically applied. However, relevant information is provided below for each criterion.

**a) All existing hospitals in the projected service area have an occupancy level greater than or equal to 80% for the most recent joint annual report. Occupancy should be based on the number of licensed beds rather than on staffed beds.**

The occupancy of licensed service area hospital beds is not 80% or higher.

**b) All outstanding new acute care bed CON projects in the proposed service area are licensed.**

Unimplemented CN0711-089 was granted to Behavioral Healthcare to build a 16-bed geropsychiatric hospital in central Shelby County. It was issued six years ago. However, the addition of those 16 beds will not offset the 65 psychiatric hospital beds that have recently closed in central Shelby County.



The only other unimplemented acute care bed projects in the primary service area with final uncontested approval, according to the HSDA, are as follows. None involves psychiatric beds.

- CN0603-019    Memphis Long Term Care Specialty Hospital  
New 24-bed Long Term Acute Care hospital in downtown Memphis.
- CN0809-074    Saint Francis Hospital--Bartlett  
Addition of 96 hospital beds to this hospital in northeast Shelby County
- CN1208-037    Regional Medical Center at Memphis (The MED)  
Conversion of 10 medical-surgical beds to rehabilitation beds

**c) The Health Facilities Agency may give special consideration to acute care bed proposals for specialty health service units in tertiary care regional referral hospitals.**

“Tertiary care” is not defined in this criterion. However, this application is for a “specialty health service”; and it is from a provider (Acadia Healthcare) whose Delta Medical Center in Memphis is a “regional referral hospital” for mental healthcare. In 2012, Delta drew psychiatric admissions from a very large region--20 counties in its primary service area alone; and 68 counties altogether. That was by far the widest referral area of any acute psychiatric provider in West Tennessee. The Crestwyn facility will draw from the same region.

For those reasons, the project is consistent with the practical meaning of this criterion, and merits special consideration by the HSDA.



COUNTY	ACUTE-CARE BED NEED		PROJECTIONS FOR 2018 AND 2019		SURPLUS	
	ADC-2017	NEED 2017	LICENSED	STAFFED	LICENSED	STAFFED
Anderson	142	178	301	255	-123	-77
Beford	26	38	60	60	-22	-22
Benton	6	12	25	12	-13	0
Bledsoe	7	13	25	25	-12	-12
Blount	158	198	304	238	-106	-40
Bradley	113	141	351	207	-210	-66
Campbell	58	75	120	97	-45	-22
Cannon	22	32	60	50	-28	-18
Carroll	24	35	115	67	-80	-32
Carter	44	59	121	79	-62	-20
Chaatham	5	9	12	12	-3	-3
Chester	.	.	.	.	.	.
Claiborne	24	36	85	39	-49	-3
Clay	13	22	36	34	-14	-12
Cocke	17	27	74	38	-47	-11
Coffee	95	119	214	154	-95	-35
Crockett	.	.	.	.	.	.
Cumberland	73	93	189	133	-96	-40
Davidson	2,312	2,890	3,685	2,998	-795	-108
Decatur	8	14	40	27	-26	-13
Dekalb	13	22	71	56	-49	-34
Dickson	58	76	157	122	-81	-46
Dyer	47	64	225	120	-161	-56
Fayette	3	8	46	10	-38	-2
Fentress	20	31	85	54	-54	-23
Franklin	67	86	152	110	-66	-24
Gibson	16	25	209	90	-184	-65
Giles	20	31	95	81	-64	-50
Grainger	.	.	.	.	.	.
Greene	76	97	240	170	-143	-73
Grundy	.	.	.	.	.	.
Hamblen	121	152	302	226	-150	-74
Hamilton	1,106	1,382	1,596	1,236	-214	146
Hancock	2	6	10	10	-4	-4
Hardeman	3	6	51	21	-45	-15
Hardin	20	31	58	49	-27	-18
Hawkins	15	24	50	46	-26	-22
Haywood	7	13	62	36	-49	-23
Henderson	9	15	45	45	-30	-30
Henry	47	63	142	101	-79	-38
Hickman	3	8	25	25	-17	-17
Houston	12	19	35	35	-16	-16
Humphreys	5	10	25	25	-15	-15
Jackson	.	.	.	.	.	.
Jefferson	26	38	58	58	-20	-20
Johnson	0	1	2	2	-1	-1
Knox	1,288	1,609	2,167	1,758	-558	-149
Lake	.	.	.	.	.	.
Lauderdale	9	16	25	25	-9	-9
Lawrence	30	43	99	80	-56	-37
Lewis	.	.	.	.	.	.
Lincoln	22	33	59	59	-26	-26

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# ACUTE-CARE BED NEED PROJECTIONS FOR 2013 AND 2017

COUNTY	PROJECTED		2011 ACTUAL BEDS		SHORTAGE/SURPLUS	
	ADC-2017	NEED 2017	LICENSED	STAFFED	LICENSED	STAFFED
Loudon	19	29	50	40	-21	-11
McMinn	49	65	190	111	-125	-46
McNairy	15	24	45	45	-21	-21
Macon	10	17	25	25	-8	-8
Madison	504	629	787	747	-158	-118
Marion	11	19	70	63	-51	-44
Marshall	3	6	25	12	-19	-6
Maury	134	167	255	206	-88	-39
Meigs	.	.	.	.	.	.
Monroe	33	46	59	59	-13	-13
Montgomery	137	172	270	220	-98	-48
Moore	.	.	.	.	.	.
Morgan	.	.	.	.	.	.
Obion	28	41	173	85	-132	-44
Overton	49	65	114	82	-49	-17
Perry	19	29	53	39	-24	-10
Pickett	.	.	.	.	.	.
Polk	.	.	25	25	-25	-25
Putnam	169	211	247	242	-36	-31
Rhea	12	20	25	25	-5	-5
Roane	21	31	105	36	-74	-5
Robertson	54	71	109	66	-38	5
Rutherford	249	312	387	387	-75	-75
Scott	5	10	25	14	-15	-4
Sequatchie	.	.	.	.	.	.
Sevier	37	51	79	69	-28	-18
Shelby	2,713	3,391	4,081	3,117	-690	274
Smith	23	35	88	58	-53	-23
Stewart	.	.	.	.	.	.
Sullivan	718	897	1,056	789	-159	108
Sumner	133	167	341	236	-174	-69
Tipton	15	24	100	44	-76	-20
Tousdale	7	13	25	21	-12	-8
Unicoi	13	21	48	10	-27	11
Union	.	.	.	.	.	.
Van Buren	.	.	.	.	.	.
Warren	39	54	125	50	-71	4
Washington	472	590	581	581	9	9
Wayne	6	12	80	32	-68	-20
Weakley	23	34	100	65	-66	-31
White	18	29	60	44	-31	-15
Williamson	101	126	185	185	-59	-59
Wilson	136	170	245	245	-75	-75
TN PSA 10 COUNTIES (SHADED)			5,602		-1,400	

Source: Office of Health Statistics 10/29/12







## Project-Specific Review Criteria--Psychiatric Inpatient Services

### **A. Need**

**1. The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in the Joint Annual Reports).**

**2 For adult persons, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.**

**3. For child inpatients under age 13, and if adolescent program the age group of 13-17 should be used.**

**4. These estimates for total need should be adjusted by the existent staffed beds operating in the area, as counted by the Department of Health in the Joint Annual Report.**

At the end of these responses to these psychiatric bed Guidelines are Tables 9A-C, showing the three-State primary service area's projected psychiatric inpatient bed needs in CY 2017, calculated according to the above Guidelines. Following that is a table showing TDH JAR data on staffed acute psychiatric beds that are thought to be available in the Tennessee primary service area. The latter table reflects recent bed closures at two Shelby County facilities. The applicant did not find published data on staffed beds at Mississippi and Arkansas facilities, so it uses their licensed beds.

The Guideline methodology (based on staffed beds) projects a need for 470 acute psychiatric beds for adults and adolescents residing in these 20 counties. This need consists of 333 beds for Tennessee patients, 70 beds for Mississippi patients, and 67 beds for Arkansas patients. *Note: This does not include bed need for residents in the other 48 counties in the secondary service area, many of whom come to Memphis for care.*

The Guideline methodology indicates a supply of 911 such beds--778 for Tennessee, 35 for Mississippi, and 98 for Arkansas. However, in the Tennessee portion of the primary service area, there is a perceived surplus of only 345 beds in the Tennessee portion of the primary service area (778-333). Depending on how many hospitals join this project, Crestwyn will add either (a) no psychiatric beds, or (b) 40 psychiatric beds. Crestwyn therefore will increase areawide psychiatric bed complements by either none at all, or by only 5%. That is an insignificant impact, relative to its benefits to the area.



<b>Table Nine: Guidelines Projection of Net Psychiatric Hospital Bed Need and the Project's Impact on Psychiatric Bed Complements in the Tennessee Service Area</b>				
<b>Area</b>	<b>Beds Needed 2017</b>	<b>Maximum Staffed Beds 2013</b>	<b>Bed Surplus 2017</b>	<b>Project Impact on Area Beds if 0-40 Beds added</b>
TN PSA--10 Co.	333	778	345	0 - 5%

*Source: Tables 10-11 below. For AR and MS, the PSA data uses licensed beds due to unavailability of data on staffed beds. The tables do not show the additional beds needed by patients coming to Memphis from the 48-county secondary service area.*

## **B. Service Area**

**1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity of the Community Service Agency.**

The primary and secondary service areas are the actual 2012 psychiatric admissions service area of Delta Medical Center in Memphis, which is an affiliate of the applicant (both are owned by Acadia Healthcare). Delta's and Crestwyn's psychiatric marketing and admissions will be centrally managed by local administrators, and are expected to have identical service areas.

**2. The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.**

Crestwyn will serve adolescents and adults of all ages, without discrimination with regard to gender or ethnicity.

It will serve low-income TennCare and Medicare patients. It will admit self-pay and charity patients, as indicated in Acadia's income and expense projections in this application.

Crestwyn will accept involuntary admissions from the judicial system.



### **C. Relationship to Existing Applicable Plans**

**1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.**

State Guidelines for Growth, on Guidelines page 5, set forth positions that are supported by this project. They support delivery of services to the most medically appropriate settings, which this acute care service provides. The Guidelines support institutions that provide care to the elderly and this project includes a geriatric program. They recommend that preference be given to patient accessibility and availability, both of which will be improved by the opening of this project in the southeast Shelby County.

**2. The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county and/or regional plans and other documents should be a significant consideration.**

The project's extensive service area, extending from Memphis across rural parts of three States, includes numerous areas considered medically underserved.

**3. The impact of the proposal on similar services supported by state appropriations should be assessed and considered.**

The applicant anticipates that both State mental health hospitals in the service area will support this project.

**4. The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.**

The applicant will accept involuntary commitments.

**5. The degree of projected financial participation in the Medicare and TennCare programs should be considered.**

Crestwyn will contract with all area TennCare MCO's that cover psychiatric and chemical dependency services. Its projected payor mix for TennCare is 15%. Crestwyn will serve aged adults; its projected payor mix for Medicare is 25%. (These percentages are calculated on gross patient revenues.) These are conservative projections based on the experience of Acadia at Delta Medical Center in Memphis. Crestwyn will seek contracts with the Medicaid programs of Mississippi and Arkansas.



**Table Ten: Psychiatric Bed Need In Primary Service Area (20 counties)--Under State Guidelines for Growth  
CY2017**

COUNTY	STATE	2017 POPULATION			2017 PSYCHIATRIC BED NEED UNDER CY2000 TN GUIDELINES			STATE TOTALS	
		ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESC + ADULT	ADOLESC + ADULT
CRAIGHEAD	AR	9,103	67,797	13,143	2.73	20.34	3.94	27.01	
CRITTENDEN	AR	5,974	28,761	5,145	1.79	8.63	1.54	11.96	
MISSISSIPPI	AR	5,016	25,777	5,292	1.50	7.73	1.59	10.83	
PHILLIPS	AR	2,110	10,451	2,745	0.63	3.14	0.82	4.59	
POINSETT	AR	1,804	14,145	3,747	0.54	4.24	1.12	5.91	AR
ST FRANCIS	AR	1,888	17,236	3,276	0.57	5.17	0.98	6.72	67.02
DESOTO	MS	20,003	110,022	18,108	6.00	33.01	5.43	44.44	
MARSHALL	MS	3,433	22,525	4,490	1.03	6.76	1.35	9.13	
PANOLA	MS	4,206	20,458	4,307	1.26	6.14	1.29	8.69	MS
TATE	MS	3,459	19,160	4,324	1.04	5.75	1.30	8.08	70.35
DYER	TN	2,620	22,816	6,705	0.79	6.84	2.01	9.64	
FAYETTE	TN	1,937	27,113	7,815	0.58	8.13	2.34	11.06	
GIBSON	TN	3,816	30,632	9,075	1.14	9.19	2.72	13.06	
HARDEMAN	TN	1,536	16,511	4,484	0.46	4.95	1.35	6.76	
HARDIN	TN	1,602	15,138	5,719	0.48	4.54	1.72	6.74	
LAKE	TN	346	7,167	1,208	0.10	2.15	0.36	2.62	
MADISON	TN	6,521	61,273	15,493	1.96	18.38	4.65	24.99	
McNAIRY	TN	1,804	15,795	5,390	0.54	4.74	1.62	6.90	
SHELBY	TN	65,279	594,500	120,783	19.58	178.35	36.23	234.17	TN
TIPTON	TN	4,324	42,311	9,083	1.30	12.69	2.72	16.72	332.64
TOTALS		146,781	1,169,588	250,331	44.03	350.88	75.10	470.01	470.01

Source: TDH population projections by age cohort; Mississippi and Arkansas from Table Thirteen. Multiplied by Guideline of 30 beds per 1000 population.



**Table Eleven-A: Acute Psychiatric Beds Staffed or Potentially Staffed  
Crestwyn Primary Service Area--Tennessee  
2012-2013**

2012 Joint Annual Reports of Hospitals				
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds
TN	Community Behavioral Health--psych beds	Shelby	19	50
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15
TN	Memphis Mental Health Institute	Shelby	75	75
TN	Delta Medical Center	Shelby	90	90
TN	Methodist University Healthcare--psych beds	Shelby	34	34
TN	St. Francis Hospital--psych beds	Shelby	102	102
	<b>Shelby County Subtotal</b>		<b>606</b>	<b>556</b>
TN	Western Mental Health Institute	Hardeman	162	187
TN	Pathways of Tennessee	Madison	25	25
	<b>TN PRIMARY SERVICE AREA</b>		<b>793</b>	<b>868</b>

### Additional Data on Changes in 2013

State	Facility Name	County	2013 Staffed Psychiatric Beds	2013 AVAILABLE Psychiatric Beds
TN	Community Behavioral Health—psych beds	Shelby	0	0
TN	Lakeside Behavioral Health System—psych beds	Shelby	290	290
TN	Lakeside Behavioral Health System—CD beds	Shelby	15	15
TN	Memphis Mental Health Institute	Shelby	60	60
TN	Delta Medical Center	Shelby	90	90
TN	Methodist University Healthcare—psych beds	Shelby	34	34
TN	St. Francis Hospital—psych beds	Shelby	102	102
	<b>Shelby County Subtotal</b>		<b>591</b>	<b>591</b>
TN	Western Mental Health Institute	Hardeman	162	162
TN	Pathways of Tennessee	Madison	23	25
	<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>776</b>	<b>778</b>

Sources: 1. TDH Joint Annual Reports of Hospitals, 2010-2012 (Provisional)  
2. 2013 staffed and available bed data at CBH from DMHSAS Licensing & website  
3. 2013 staffed and available bed data at MMHI from CEO on 10-7-13.  
4. 2013 staffed and available bed data at MMHI from CEO on 10-7-13.  
5. licensed beds are now occupied by SE Mental Health Center staff, long-term.  
6. Hospital-based units in 2013 are assumed to be staffed at 2012 levels.

**Table Eleven-B: Acute Psychiatric Beds Potentially Staffed  
Crestwyn Primary Service Area--Arkansas & Mississippi  
2012**

[illegible]

Sources: Arkansas Department of Health; Mississippi State Health Plan

**Table Eleven-C: Crestwyn Primary Service Area (3 States)  
Psychiatric Beds Staffed or Potentially Staffed  
in 2013**

TENNESSEE		778
ARKANSAS		98
MISSISSIPPI		35
<b>PRIMARY SERVICE AREA TOTAL</b>		<b>911</b>

2000



**Table Eleven-D: Psychiatric Bed Utilization in Arkansas and Mississippi Primary Service Area  
2010-2012**

<b>2010 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby		50	543	5,069	9	14	27.8%
TN	Lakeside Behavioral Health System--psych beds	Shelby		290	5,777	56,063	10	154	53.0%
TN	Lakeside Behavioral Health System--CD beds	Shelby		15	626	5,890	9	16	107.6%
TN	Memphis Mental Health Institute	Shelby		76	1,901	21,889	12	60	78.9%
TN	Delta Medical Center	Shelby		90	1,654	20,616	12	56	62.8%
TN	Methodist University Healthcare--psych beds	Shelby		34	513	8,029	16	22	64.7%
TN	St. Francis Hospital--psych beds	Shelby		102	2,022	17,520	9	48	47.1%
	<b>Shelby County Subtotal</b>			<b>657</b>	<b>13,036</b>	<b>135,076</b>	<b>10</b>	<b>370</b>	<b>56.3%</b>
TN	Western Mental Health Institute	Hardeman		250	1,341	44,339	33	121	48.6%
TN	Pathways of Tennessee	Madison		25	885	3,418	4	9	37.5%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>			<b>932</b>	<b>15,262</b>	<b>182,833</b>	<b>12</b>	<b>501</b>	<b>53.7%</b>
<b>2011 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby		50	694	6,011	9	16	32.9%
TN	Lakeside Behavioral Health System--psych beds	Shelby		290	6,247	59,671	10	163	56.4%
TN	Lakeside Behavioral Health System--CD beds	Shelby		15	565	3,466	6	9	63.3%
TN	Memphis Mental Health Institute	Shelby		75	1,853	20,615	11	56	75.3%
TN	Delta Medical Center	Shelby		90	1,574	20,834	13	57	63.4%
TN	Methodist University Healthcare--psych beds	Shelby		34	630	9,385	15	25	75.6%
TN	St. Francis Hospital--psych beds	Shelby		102	2,043	16,199	8	44	43.5%
	<b>Shelby County Subtotal</b>			<b>656</b>	<b>13,606</b>	<b>136,181</b>	<b>10</b>	<b>373</b>	<b>56.9%</b>
TN	Western Mental Health Institute	Hardeman		200	1,386	43,427	31	119	59.5%
TN	Pathways of Tennessee	Madison		25	691	3,085	4	8	33.8%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>			<b>881</b>	<b>15,683</b>	<b>182,693</b>	<b>12</b>	<b>501</b>	<b>56.8%</b>
<b>2012 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby	19	50	772	6,655	9	18	36.5%
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290	6,606	63,508	10	174	60.0%
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15	636	3,903	6	11	71.3%
TN	Memphis Mental Health Institute	Shelby	75	75	1,440	21,630	15	59	79.0%
TN	Delta Medical Center	Shelby	90	90	1,500	22,340	15	61	68.0%
TN	Methodist University Healthcare--psych beds	Shelby	34	34	619	9,748	16	27	78.5%
TN	St. Francis Hospital--psych beds	Shelby	102	102	2,008	16,843	8	46	45.2%
	<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>	<b>13,581</b>	<b>144,627</b>	<b>11</b>	<b>398</b>	<b>60.4%</b>
TN	Western Mental Health Institute	Hardeman	162	187	1,211	41,617	34	114	61.0%
TN	Pathways of Tennessee	Madison	25	25	590	2,846	5	8	31.2%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>793</b>	<b>868</b>	<b>15,382</b>	<b>189,090</b>	<b>12</b>	<b>518</b>	<b>59.7%</b>



# **The Framework for Tennessee's Comprehensive State Health Plan**

## **Five Principles for Achieving Better Health**

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this application supports the principle, if applicable.

### **1. Healthy Lives**

***The purpose of the State Health Plan is to improve the health of Tennesseans.***

**Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.**

This project is the result of a collaboration among two (and potentially three) hospital organizations involved in provision of acute psychiatric care. It is supported by an even wider group of providers in its geographic service area.

### **2. Access to Care**

***Every citizen should have reasonable access to health care.***

**Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.**

The State Plan and its related Guidelines do not establish financial standards for access to this type of care, for persons without financial means. However, although Crestwyn will be a private facility, it has committed to serve elderly and low-income patients in Medicare and TennCare programs and to also provide a limited amount of indigent care. Its sister hospital, Delta Medical Center, provides substantial services to these groups.

### **3. Economic Efficiencies**

***The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.***

The project supports this goal by increasing the competitiveness of the Memphis market for private hospital psychiatric services. It will provide psychiatric beds in a



suburban growth area, to replace central-county acute care beds that are either chronically underutilized or have been taken out of the market during the past two years.

#### **4. Quality of Care**

***Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.***

Acadia Healthcare is the parent of Delta Medical Center and the proposed Crestwyn facility. Like other national health care companies, Acadia works to ensure that its facility's and its staffs' patient care practices are continuously measured, evaluated, and improved in quality and efficiency, to keep pace with evolving public needs and standards of payor organizations.

#### **5. Health Care Workforce**

***The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.***

The project will expand employment opportunities for a professional workforce with clinical expertise and experience.



**C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.**

Acadia entered the greater Memphis market by acquiring Delta Medical Center at the end of January 2013. Acadia's plan was first to fully utilize Delta's capacity for providing adult psychiatric care to a three-State referral region, and next to add psychiatric bed capacity and clinical programs to meet any additional needs.

The first step has been accomplished. Delta has become a referral destination of choice for many agencies and institutions in West Tennessee and nearby counties in Arkansas and Mississippi. Its 90 psychiatric beds are being fully utilized in 2013.

Now Acadia needs to expand its bed capacity and its range of acute mental healthcare services. There is no room in Delta Medical Center to meet rising demand for existing programs, much less to add an adolescent program or a dedicated chemical dependency program. It is unfeasible to add psychiatric capacity by converting Delta's underutilized 153 medical-surgical beds, for reasons outlined in the architect's report in the Attachments to this application. (Those reasons include various site and configuration limitations, triggering unaffordable licensure requirements to upgrade other parts of the old hospital, and the adverse impact on Medicare DSH reimbursement of reducing medical-surgical beds to below 100 beds).

Acadia needs an off-site solution to meet service area demands. The optimal solution is to construct more psychiatric bed capacity at a second, accessible campus whose admissions and programs are centrally managed. Crestwyn and Delta will function as a two-campus system, with one facility in an older part of the city and another in a new growth area that now lacks such services. Together, they can afford to offer the full range of adolescent and adult services--including management of acute medical comorbidities. None of the four freestanding mental healthcare hospitals in the area can accept patients who need immediate acute medical care. And only one hospital-based program in Memphis (St. Francis) offers Crestwyn's range of inpatient programs.



**C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).**

This is a new facility, but it will be operated by an established Memphis inpatient mental healthcare provider--Acadia Healthcare, owner of Delta Medical Center. There is no publicly available data on patient origin for Tennessee's hospital-based psychiatric units, but that data is reported in the Joint Annual Reports (JAR's) of Tennessee's freestanding psychiatric hospitals. Their 2012 JAR's show that last year, Delta served a much wider region than did any other psychiatric hospital in West Tennessee. Delta drew admissions from sixty-eight counties in three States. Its primary service area alone consisted of 20 counties in three States. Only half (52%) of its patients came from Shelby County. It is a significant multi-State resource for psychiatric care.

By contrast, the largest private psychiatric hospital in Memphis drew 96.5% of its admissions last year from Shelby County, and identified only twenty counties in its entire referral area. Memphis Mental Health Institute, which is the State-owned psychiatric hospital in Shelby County, reported receiving 97.2% of its admissions from Shelby County, and none from other States. The third Shelby County mental health hospital (now closed and delicensed) reported serving no patients from outside Shelby County in 2012.

The table on the next page shows the projected Crestwyn primary and secondary service areas with projected Year Two (CY2017) percentages of patients from each PSA county. Logically, it will mirror the CY2012 experience of Delta Medical Center's psychiatric programs.

A service area map and a map showing the location of the service within the State of Tennessee are provided as Attachments C, Need--3 at the back of the application.



**Table Twelve: Crestwyn Behavioral Health  
Projected Patient Origin--Years One and Two**

A. CRESTWYN BEHAVIORAL HEALTH PATIENT ORIGIN / PRIMARY AND SECONDARY SERVICE AREA COUNTIES BY NUMBER OF ADMISSIONS YEARS ONE AND TWO								B. CRESTWYN BEHAVIORAL HEALTH SERVICE AREAS--BY COUNTIES WITHIN STATES YEAR ONE						
COUNTY	STATE	YR 1 ADMITS (1,020)	CUMULATIVE YR 1 ADMITS	YR 2 ADMITS (1,776)	CUMULATIVE YR 2 ADMITS	COUNTY % OF ADMITS	CUMULATIVE PERCENT	COUNTY	STATE	YR 1 ADMITS	STATE TOTAL	STATE % OF ADMITS		
SHELBY	TN	525	525	915	915	51.5%	51.5%	CRAIGHEAD	AR	14				
DESOTO	MS	60	585	104	1,019	5.8%	57.3%	CRITTENDEN	AR	46				
CRITTENDEN	AR	46	630	79	1,098	4.5%	61.8%	MISSISSIPPI	AR	17				
MADISON	TN	27	658	48	1,146	2.7%	64.5%	PHILLIPS	AR	12				
FAYETTE	TN	21	679	37	1,183	2.1%	66.6%	POINSETT	AR	11				
MARSHALL	MS	18	697	31	1,214	1.8%	68.4%	SAINT FRANCIS	AR	11	111	10.9%		
MISSISSIPPI	AR	17	714	30	1,245	1.7%	70.1%	DESOTO	MS	60				
HARDEMAN	TN	17	731	29	1,274	1.6%	71.7%	MARSHALL	MS	18				
TIPTON	TN	17	748	29	1,303	1.6%	73.4%	PANOLA	MS	10				
GIBSON	TN	15	763	26	1,329	1.4%	74.8%	TATE	MS	14	102	10.0%		
CRAIGHEAD	AR	14	777	24	1,353	1.4%	76.2%	DYER	TN	13				
TATE	MS	14	791	24	1,378	1.4%	77.6%	FAYETTE	TN	21				
LAKE	TN	13	804	23	1,401	1.3%	78.9%	GIBSON	TN	15				
DYER	TN	13	817	22	1,423	1.2%	80.1%	HARDEMAN	TN	17				
PHILLIPS	AR	12	829	21	1,444	1.2%	81.3%	HARDIN	TN	10				
SAINT FRANCIS	AR	11	840	20	1,464	1.1%	82.4%	LAKE	TN	13				
POINSETT	AR	11	851	19	1,483	1.0%	83.5%	MADISON	TN	27				
PANOLA	MS	10	861	17	1,500	1.0%	84.4%	MCAIRY	TN	10				
HARDIN	TN	10	871	17	1,517	1.0%	85.4%	SHELBY	TN	525				
MCAIRY	TN	10	881	17	1,535	1.0%	86.4%	TIPTON	TN	17	669	65.6%		
LAWRENCE	AR	9	890	15	1,550	0.9%	87.3%	TOTAL PSA				881	881	86.4%
LAUDERDALE	TN	9	898	15	1,565	0.9%	88.1%	CLAY	AR	1				
GREENE	AR	7	906	13	1,578	0.7%	88.8%	CROSS	AR	3				
WEAKLEY	TN	7	913	13	1,591	0.7%	89.6%	FULTON	AR	1				
RANDOLPH	AR	6	919	10	1,601	0.6%	90.2%	GREENE	AR	7				
COAHOMA	MS	6	925	10	1,612	0.6%	90.7%	JACKSON	AR	2				
YALOBUSHA	MS	5	931	9	1,621	0.5%	91.3%	LAWRENCE	AR	9				
CARROLL	TN	5	936	9	1,631	0.5%	91.8%	LEE	AR	2				
HENDERSON	TN	5	941	9	1,640	0.5%	92.3%	POPE*	AR	1				
LEFLORE	MS	5	946	8	1,648	0.5%	92.8%	PULASKI*	AR	1				
QUITMAN	MS	4	950	7	1,655	0.4%	93.2%	RANDOLPH	AR	6				
OBION	TN	4	954	7	1,662	0.4%	93.6%	SHARP	AR	1				
BENTON	MS	3	957	6	1,668	0.3%	93.9%	WOODRUFF	AR	1	33	3.3%		
LEE	MS	3	961	6	1,674	0.3%	94.2%	ALCORN	MS	1				
CHESTER	TN	3	964	6	1,679	0.3%	94.6%	BENTON	MS	3				
HAYWOOD	TN	3	967	6	1,685	0.3%	94.9%	BOLIVAR	MS	3				
CROSS	AR	3	970	5	1,690	0.3%	95.1%	CALHOUN	MS	1				
BOLIVAR	MS	3	973	5	1,695	0.3%	95.4%	CARROLL	MS	1				
GRENADA	MS	3	975	5	1,699	0.3%	95.7%	CLAIBORNE*	MS	1				
LAFAYETTE	MS	3	978	5	1,704	0.3%	95.9%	COAHOMA	MS	6				
TIPPAH	MS	3	981	5	1,709	0.3%	96.2%	GRENADA	MS	3				
BENTON	TN	3	983	5	1,713	0.3%	96.5%	HINDS*	MS	1				
MONTGOMERY	TN	3	986	5	1,718	0.3%	96.7%	ITAWAMBA	MS	1				
JACKSON	AR	2	988	3	1,721	0.2%	96.9%	LAFAYETTE	MS	3				
LEE	AR	2	990	3	1,725	0.2%	97.1%	LEE	MS	3				
PULASKI*	AR	1	991	2	1,727	0.1%	97.2%	LEFLORE	MS	5				
ALCORN	MS	1	993	2	1,730	0.1%	97.4%	MONTGOMERY	MS	1				
CALHOUN	MS	1	994	2	1,732	0.1%	97.5%	PONTOTOC	MS	1				
MONTGOMERY	MS	1	996	2	1,734	0.1%	97.6%	PRENTISS	MS	1				
TUNICA	MS	1	997	2	1,737	0.1%	97.8%	QUITMAN	MS	4				
CROCKETT	TN	1	998	2	1,739	0.1%	97.9%	STONE*	MS	1				
DECATUR	TN	1	1,000	2	1,741	0.1%	98.0%	TIPPAH	MS	3				
CLAY	AR	1	1,000	1	1,742	0.1%	98.1%	TUNICA	MS	1				
FULTON	AR	1	1,001	1	1,744	0.1%	98.2%	UNION	MS	1				
POPE*	AR	1	1,002	1	1,745	0.1%	98.2%	WASHINGTON	MS	1				
SHARP	AR	1	1,002	1	1,746	0.1%	98.3%	YALOBUSHA	MS	5	49	4.8%		
WOODRUFF	AR	1	1,003	1	1,747	0.1%	98.4%	BENTON	TN	3				
CARROLL	MS	1	1,004	1	1,748	0.1%	98.4%	CARROLL	TN	5				
CLAIBORNE*	MS	1	1,004	1	1,749	0.1%	98.5%	CHESTER	TN	3				
HINDS*	MS	1	1,005	1	1,751	0.1%	98.6%	CROCKETT	TN	1				
ITAWAMBA	MS	1	1,006	1	1,752	0.1%	98.6%	DAVIDSON	TN	1				
PONTOTOC	MS	1	1,006	1	1,753	0.1%	98.7%	DECATUR	TN	1				
PRENTISS	MS	1	1,007	1	1,754	0.1%	98.8%	HAYWOOD	TN	3				
STONE*	MS	1	1,008	1	1,755	0.1%	98.8%	HENDERSON	TN	5				
UNION	MS	1	1,008	1	1,756	0.1%	98.9%	HUMPHREY	TN	1				
WASHINGTON	MS	1	1,009	1	1,758	0.1%	99.0%	LAUDERDALE	TN	9				
DAVIDSON	TN	1	1,010	1	1,759	0.1%	99.0%	MONTGOMERY	TN	3				
HUMPHREY	TN	1	1,010	1	1,760	0.1%	99.1%	OBION	TN	4				
UNKNOWN	OTHER STATES	9	1,020	16	1,776	0.9%	100.0%	WEAKLEY	TN	7		0.0%		
TOTAL			1,020		1,776			UNKNOWN	OTHER STATES	9	56	5.5%		
										TOTAL SSA		139	139	13.6%
										PSA+SSA		1020	1020	100.0%

Source: Delta Medical Center records. 2012 psychiatric patient origin applied to Crestwyn projected admissions.

Source: Delta Medical Center records, 2012 psychiatric patient origin applied to Crestwyn projected admissions.

Notes:

1. Primary service area counties are unshaded.
2. Asterisked counties are omitted from service area maps, being both noncontiguous and remote.



**C(I).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.**

The demographic data required by the HSDA staff for primary service area (PSA) counties is shown on the tables on the next two pages. Data has been provided for total population and also for ages 13-17, 18-64, and 65+. Sources are footnoted.

Tennessee PSA Counties Compared to State of Tennessee:

- The median age of the Tennessee PSA is higher than the Tennessee State average;
- Population growth overall is slower than Tennessee's;
- Its elderly 65+ percent of total population in 2017 will be less than Tennessee's;
- Its adult 18-64 population in 2017 will be a slightly higher percent of total population;
- The population 13-17 years of age will decline 2.4% by 2017, whereas Tennessee's population of that age will increase by 2.4%.
- In 2017, the population 13-17 years of age will remain a higher percent of total population than in Tennessee.
- The Tennessee PSA, compared to the State of Tennessee, has lower median income, a higher percent of residents in TennCare/Medicaid, and a higher percent of its population living in poverty.

Arkansas and Mississippi PSA Counties Compared to State of Tennessee:

- Younger median age;
- slower rate of growth in overall population;
- In 2017, will have a lower percentage of elderly, and the elderly population will increase very little, compared to a 12.4% increase in Tennessee;
- The population age 13-17 is a higher percent of total population, and will grow more quickly, than in the State of Tennessee.
- The AR and MS PSA counties, compared to the State of Tennessee, have a much lower median income, a higher percent of population enrolled in Medicaid, and a higher percent of population living in poverty.



**Table Thirteen-A: Demographic Characteristics of Tennessee Primary Service Area--Three Age Cohorts 13-17, 18-64, 65+ (PAGE 1 OF 2)**

Crestwyn Behavioral Health, Germantown

2013-2017

Demographic	DYER County	FAYETTE County	GIBSON County	HARDMAN County	HARDIN County	LAKE County	MCNAIRY County	MADISON County	SHELBY County	TIPTON County	TENNESSEE PSA	STATE OF TENNESSEE
Median Age-2010 US Census	39.3	41.9	39.9	39.2	43.5	38.3	41.6	36.8	34.6	36.6	39.2	37.8
Total Population-2013	38,205	40,081	50,748	26,492	25,968	9,795	26,408	99,153	940,972	63,001	1,320,823	6,528,014
Total Population-2017	38,345	43,819	51,952	26,106	26,194	9,533	27,129	100,685	951,669	66,612	1,342,034	6,772,022
Total Population-% Change 2013 to 2017	0.4%	9.3%	2.4%	-1.5%	0.8%	-2.7%	2.7%	1.5%	1.1%	5.7%	1.6%	3.7%
Age 65+ Population-2013	6,054	6,680	8,663	4,113	5,240	1,135	4,964	13,992	104,804	7,740	163,385	878,496
% of Total Population	15.8%	16.7%	17.1%	15.5%	20.2%	11.6%	18.8%	14.1%	11.1%	12.3%	12.4%	13.5%
Age 65+ Population-2017	6,705	7,815	9,075	4,484	5,719	1,208	5,390	15,493	120,783	9,083	185,755	987,074
% of Total Population	17.5%	17.8%	17.5%	17.2%	21.8%	12.7%	19.9%	15.4%	12.7%	13.6%	13.8%	14.6%
Age 65+ Population- % Change 2013-2017	10.8%	17.0%	4.8%	9.0%	9.1%	6.4%	8.6%	10.7%	15.2%	17.4%	13.7%	12.4%
Age 18-64 Population-2013	23,080	24,886	29,798	17,086	15,391	7,414	15,563	61,647	596,135	39,498	830,498	4,079,662
% of Total Population	60.4%	62.1%	58.7%	64.5%	59.3%	75.7%	58.9%	62.2%	63.4%	62.7%	62.9%	62.5%
Age 18-64 Population-2017	22,816	27,113	30,632	16,511	15,138	7,167	15,795	61,273	594,500	42,311	833,256	4,177,609
% of Total Population	59.5%	61.9%	59.0%	63.2%	57.8%	75.2%	58.2%	60.9%	62.5%	63.5%	62.1%	61.7%
Age 18-64 Population- % Change 2013-2017	-1.1%	8.9%	2.8%	-3.4%	-1.6%	-3.3%	1.5%	-0.6%	-0.3%	7.1%	0.3%	2.4%
Age 13-17 Population-2013	2,618	2,057	3,614	1,559	1,599	27,181	1,695	1,797	68,490	4,730	115,340	426,216
% of Total Population	6.9%	5.1%	7.1%	5.9%	6.2%	277.5%	6.4%	1.8%	7.3%	7.5%	8.7%	6.5%
Age 13-17 Population-2017	2,620	1,937	3,816	1,536	1,602	27,865	1,804	1,777	65,279	4,324	112,560	436,241
% of Total Population	6.8%	4.4%	7.3%	5.9%	6.1%	292.3%	6.6%	1.8%	6.9%	6.5%	8.4%	6.4%
Age 13-17 Population- % Change 2013-2017	0.1%	-5.8%	5.6%	-1.5%	0.2%	2.5%	6.4%	-1.1%	-4.7%	-8.6%	-2.4%	2.4%
Median Household Income	\$38,909	\$57,437	\$37,577	\$32,601	\$32,131	\$26,797	\$34,953	\$40,667	\$46,102	\$50,869	\$39,804	\$43,314
TennCare Enrollees (06/13)	9,296	5,576	11,141	6,159	6,329	1,968	6,788	20,973	228,293	11,545	308,068	1,211,113
Percent of 2012 Population Enrolled in TennCare	24.3%	13.9%	22.0%	23.2%	24.4%	20.1%	25.7%	21.2%	24.3%	18.3%	23.3%	18.6%
Persons Below Poverty Level (2012)	7,335	4,689	9,084	5,722	5,887	3,076	5,942	19,037	189,135	9,639	259,547	1,103,234
Persons Below Poverty Level As % of Population (US Census)	19.2%	11.7%	17.9%	21.6%	22.7%	31.4%	22.5%	19.2%	20.1%	15.3%	20.2%	16.9%

Sources: TDH Population Projections, May 2013; U.S. Census Quickfacts and Factfinder2; Bureau of TennCare.

PSA data is unweighted average, or total, of county data.

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**Table Thirteen-8: Demographic Characteristics of Arkansas/Mississippi Primary Service Area, and Total PSA--Three Age Cohorts 13-17, 18-64, 65+ (PAGE 2 OF 2)**

Crestwyn Behavioral Health, Germantown  
2013-2017

Demographic	CRAIGHEAD County (AR)	CRITTENDEN County (AR)	MISSISSIPPI County (AR)	PHILLIPS County (AR)	POINSETT County (AR)	ST FRANCIS County (AR)	DESOTO County (MS)	MARSHALL County (MS)	PANOLA County (MS)	TATE County (MS)	AR & MS PSA	TENNESSEE PSA	CRESTWYN PSA (TN/AR/MS)
Median Age-2010 US Census	33.2	34.2	34.9	36.9	39.8	37.2	33.7	33.9	33.0	34.2	35.1	39.2	37.1
Total Population-2013	101,381	49,581	45,103	20,298	24,169	27,658	168,725	36,346	34,356	29,292	536,909	1,320,823	1,857,732
Total Population-2017	107,965	47,819	43,267	18,352	23,617	26,858	178,689	35,282	33,888	32,500	548,237	1,342,034	1,890,271
Total Population-% Change 2013 to 2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	11.0%	2.1%	1.6%	1.8%
Age 65+ Population-2013	12,341	5,335	5,517	3,036	3,834	3,374	17,098	4,625	4,366	3,897	63,423	163,385	226,808
% of Total Population	12.2%	10.8%	12.2%	15.0%	15.9%	12.2%	10.1%	12.7%	12.7%	13.3%	11.8%	12.4%	12.2%
Age 65+ Population-2017	13,143	5,145	5,292	2,745	3,747	3,276	18,108	4,490	4,307	4,324	64,577	185,755	250,332
% of Total Population	12.2%	10.8%	12.2%	15.0%	15.9%	12.2%	10.1%	12.7%	12.7%	13.3%	11.8%	13.8%	13.2%
Age 65+ Population- % Change 2013-2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	11.0%	1.8%	13.7%	10.4%
Age 18-64 Population-2013	63,663	29,821	26,871	11,559	14,476	17,749	103,887	23,205	20,740	17,268	329,239	830,498	1,159,737
% of Total Population	62.8%	60.1%	59.6%	56.9%	59.9%	64.2%	61.6%	63.8%	60.4%	59.0%	61.3%	62.9%	62.4%
Age 18-64 Population-2017	67,797	28,761	25,777	10,451	14,145	17,236	110,022	22,525	20,458	19,160	336,332	833,256	1,169,588
% of Total Population	62.8%	60.1%	59.6%	56.9%	59.9%	64.2%	61.6%	63.8%	60.4%	59.0%	61.3%	62.1%	61.9%
Age 18-64 Population- % Change 2013-2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	11.0%	2.2%	0.3%	0.8%
Age 13-17 Population-2013	8,548	6,194	5,229	2,334	1,847	1,944	18,887	3,537	4,264	3,118	55,902	115,340	171,242
% of Total Population	8.4%	12.5%	11.6%	11.5%	7.6%	7.0%	11.2%	9.7%	12.4%	10.6%	10.4%	8.7%	9.2%
Age 13-17 Population-2017	9,103	5,974	5,016	2,110	1,804	1,888	20,003	3,433	4,206	3,459	56,996	112,560	169,556
% of Total Population	8.4%	12.5%	11.6%	11.5%	7.6%	7.0%	11.2%	9.7%	12.4%	10.6%	10.4%	8.4%	9.0%
Age 13-17 Population- % Change 2013-2017	6.5%	-3.6%	-4.1%	-9.6%	-2.3%	-2.9%	5.9%	-2.9%	-1.4%	10.9%	2.0%	-2.4%	-1.0%
Median Household Income	\$40,221	\$35,264	\$34,267	\$28,225	\$31,939	\$26,360	\$59,734	\$33,279	\$34,592	\$41,839	\$36,572	\$39,804	\$38,188
Medicaid Enrollees	31,769	22,635	20,690	11,730	10,724	11,817	unpublished	unpublished	unpublished	unpublished	109,365	308,068	417,433
Percent of 2012 Population Enrolled in Medicaid	31.3%	45.7%	45.9%	57.8%	44.4%	42.7%	unpublished	unpublished	unpublished	unpublished	20.4%	23.3%	21.8%
Persons Below Poverty Level (2012)	20,580	13,833	11,772	6,414	6,284	8,214	16,029	8,796	9,654	5,302	106,878	259,547	366,426
Persons Below Poverty Level As % of Population (US Census)	20.3%	27.9%	26.1%	31.6%	26.0%	29.7%	9.5%	24.2%	28.1%	18.1%	24.2%	20.2%	23.8%

Sources: U.S. Census QuickFacts, FactFinder2, other Census webpages; State of AR and MS websites.

AR+MS PSA data is unweighted average, or total, of county data.

TN+AR+MS data is unweighted average of PSA data for TN and for AR/MS, or is calculated by PSA formulas.



**C(I).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.**

With the Crestwyn project, Acadia Healthcare is making a strong commitment to financial accessibility to acute mental healthcare--with payor mix projected at 15% TennCare, 10% self-pay, and 25% Medicare. Crestwyn will not discriminate in its admissions decisions based on age, race, ethnicity, gender, or handicapped status; and it will be broadly accessible to low-income and underinsured persons.

Acadia's Delta Medical Center is located close to I-40, in a lower-income sector of the county. It has an unusually high percent of Medicare and TennCare admissions, which is why it receives additional Medicare reimbursement in the form of DSH payments. Acadia is proposing to keep Delta's psychiatric bed capacity at a robust level, maintaining service to a relatively disadvantaged sector of the county, rather than trying to relocate Delta to a higher-income sector of the county. The new Crestwyn beds in Germantown will have positive operating margins that will help Acadia maintain Delta's ability to care for patients in its immediate area of Memphis.



**C(I).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY.**

Table Fourteen on the following page provides TDH JAR data on the 2010-2012 utilization of Tennessee primary service area hospitals that provide inpatient psychiatric care. The great majority of inpatient psychiatric care in the service area is provided by Shelby County facilities. In 2012, acute psychiatric care providers in Shelby County averaged more than 60% occupancy on 656 licensed psychiatric beds, and provided 6.3% more days of care than in the prior year. Providers in the 10-county Tennessee primary service area averaged approximately 60% occupancy on 868 licensed psychiatric beds.

It should be noted that since 2012, two psychiatric facilities in central Shelby County have reduced the number of bed available. Community Behavioral Health closed its 50-bed hospital in central Memphis. DMHSAS has confirmed that Community Behavioral Health is closed and has been removed from the Department's listing of licensed mental healthcare hospitals. In addition, the downtown Memphis Mental Health Institute, a State hospital, has closed 25 acute inpatient beds in order to provide space to Southeast Mental Health Center, which does not provide inpatient care. These two actions reduced inpatient psychiatric capacity by 65 beds. The Crestwyn project would restore 60 of those beds, and will do that in a relatively underserved sector of the county. It should also be noted that Shelby County's 144,627 patient days in 2012 would constitute an average occupancy of 67 % on the currently available bed capacity in 2013.

(144,627 days of care /365 days/591 beds = 67.1% average annual occupancy)

Neither Mississippi nor Arkansas appears to release as much bed utilization data as Tennessee. What data is available for 2012 is presented in the tables following the Tennessee data.



**Table Fourteen-A: Psychiatric Bed Utilization in Tennessee Primary Service Area  
2010-2012**

<b>2010 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby		50	543	5,069	9	14	27.8%
TN	Lakeside Behavioral Health System--psych beds	Shelby		290	5,777	58,063	10	154	53.0%
TN	Lakeside Behavioral Health System--CD beds	Shelby		15	626	5,890	9	16	107.6%
TN	Memphis Mental Health Institute	Shelby		76	1,901	21,889	12	60	78.9%
TN	Delta Medical Center	Shelby		90	1,654	20,616	12	56	62.8%
TN	Methodist University Healthcare--psych beds	Shelby		34	513	8,029	16	22	64.7%
TN	St. Francis Hospital--psych beds	Shelby		102	2,022	17,520	9	48	47.1%
	<b>Shelby County Subtotal</b>			<b>657</b>	<b>13,036</b>	<b>135,076</b>	<b>10</b>	<b>370</b>	<b>56.3%</b>
TN	Western Mental Health Institute	Hardeman		250	1,341	44,339	33	121	48.6%
TN	Pathways of Tennessee	Madison		25	885	3,418	4	9	37.5%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>			<b>932</b>	<b>15,262</b>	<b>182,833</b>	<b>12</b>	<b>501</b>	<b>53.7%</b>
<b>2011 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby		50	694	6,011	9	16	32.9%
TN	Lakeside Behavioral Health System--psych beds	Shelby		290	6,247	59,671	10	163	56.4%
TN	Lakeside Behavioral Health System--CD beds	Shelby		15	565	3,466	6	9	63.3%
TN	Memphis Mental Health Institute	Shelby		75	1,853	20,615	11	56	75.3%
TN	Delta Medical Center	Shelby		90	1,574	20,834	13	57	63.4%
TN	Methodist University Healthcare--psych beds	Shelby		34	630	9,385	15	26	75.6%
TN	St. Francis Hospital--psych beds	Shelby		102	2,043	16,199	8	44	43.5%
	<b>Shelby County Subtotal</b>			<b>656</b>	<b>13,606</b>	<b>136,181</b>	<b>10</b>	<b>373</b>	<b>56.9%</b>
TN	Western Mental Health Institute	Hardeman		200	1,386	43,427	31	119	59.5%
TN	Pathways of Tennessee	Madison		25	691	3,085	4	8	33.8%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>			<b>881</b>	<b>15,683</b>	<b>182,693</b>	<b>12</b>	<b>501</b>	<b>56.8%</b>
<b>2012 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Behavioral Health--psych beds	Shelby	19	50	772	6,655	9	18	36.5%
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290	6,606	63,508	10	174	60.0%
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15	636	3,903	6	11	71.3%
TN	Memphis Mental Health Institute	Shelby	75	75	1,440	21,630	15	59	79.0%
TN	Delta Medical Center	Shelby	90	90	1,500	22,340	15	61	68.0%
TN	Methodist University Healthcare--psych beds	Shelby	34	34	619	9,748	16	27	78.5%
TN	St. Francis Hospital--psych beds	Shelby	102	102	2,008	16,843	8	46	45.2%
	<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>	<b>13,581</b>	<b>144,627</b>	<b>11</b>	<b>396</b>	<b>60.4%</b>
TN	Western Mental Health Institute	Hardeman	162	187	1,211	41,617	34	114	61.0%
TN	Pathways of Tennessee	Madison	25	25	590	2,846	5	8	31.2%
	<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>793</b>	<b>868</b>	<b>15,382</b>	<b>189,090</b>	<b>12</b>	<b>518</b>	<b>59.7%</b>
<b>ADDITIONAL DATA ON CHANGES IN 2013</b>									
State	Facility Name	County	2013 Staffed Psychiatric Beds	2013 AVAILABLE Psychiatric Beds					
TN	Community Behavioral Health--psych beds	Shelby	0	0					
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290					
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15					
TN	Memphis Mental Health Institute	Shelby	60	60					
TN	Delta Medical Center	Shelby	90	90					
TN	Methodist University Healthcare--psych beds	Shelby	34	34					
TN	St. Francis Hospital--psych beds	Shelby	102	102					
	<b>Shelby County Subtotal</b>		<b>591</b>	<b>591</b>					
TN	Western Mental Health Institute	Hardeman	162	162					
TN	Pathways of Tennessee	Madison	23	25					
	<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>776</b>	<b>778</b>					

Sources: 1. TDH Joint Annual Reports of Hospitals, 2010-2012 (Provisional)  
2. 2013 staffed and available bed data at CBH from DMHSAS telephone conference and DMHSAS website  
3. 2013 staffed and available bed data at MMHI from CEO on 10-7-13. 25 licensed beds are now occupied by SE Mental Health Center staff.  
4. Hospital-based units in 2013 assumed to be staffed at 2012 reported levels.



**Table Fourteen-B: Psychiatric Bed Utilization in Arkansas and Mississippi Primary Service Area  
2010-2012**

<b>2010 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Beh	Shelby		50	543	5,069	9	14	27.8%
TN	Lakeside Behav	Shelby		290	5,777	56,063	10	154	53.0%
TN	Lakeside Behav	Shelby		15	626	5,890	9	16	107.6%
TN	Memphis Mental	Shelby		76	1,901	21,889	12	60	78.9%
TN	Delta Medical C	Shelby		90	1,654	20,616	12	56	62.8%
TN	Methodist Unive	Shelby		34	513	8,029	16	22	64.7%
TN	St. Francis Hosp	Shelby		102	2,022	17,520	9	48	47.1%
	<b>Shelby County Subtotal</b>			<b>657</b>	<b>13,036</b>	<b>135,076</b>	<b>10</b>	<b>370</b>	<b>56.3%</b>
TN	Western Mental	Hardeman		250	1,341	44,339	33	121	48.6%
TN	Pathways of Ter	Madison		25	885	3,418	4	9	37.5%
	<b>SERVICE AREA TOTALS</b>			<b>932</b>	<b>15,262</b>	<b>182,833</b>	<b>12</b>	<b>501</b>	<b>53.7%</b>
<b>2011 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County		Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Beh	Shelby		50	694	6,011	9	16	32.9%
TN	Lakeside Behav	Shelby		290	6,247	59,671	10	163	56.4%
TN	Lakeside Behav	Shelby		15	565	3,466	6	9	63.3%
TN	Memphis Mental	Shelby		75	1,853	20,615	11	56	75.3%
TN	Delta Medical C	Shelby		90	1,574	20,834	13	57	63.4%
TN	Methodist Unive	Shelby		34	630	9,385	15	26	75.6%
TN	St. Francis Hosp	Shelby		102	2,043	16,199	8	44	43.5%
	<b>Shelby County Subtotal</b>			<b>656</b>	<b>13,606</b>	<b>136,181</b>	<b>10</b>	<b>373</b>	<b>56.9%</b>
TN	Western Mental	Hardeman		200	1,386	43,427	31	119	59.5%
TN	Pathways of Ter	Madison		25	691	3,085	4	8	33.8%
	<b>SERVICE AREA TOTALS</b>			<b>881</b>	<b>15,683</b>	<b>182,693</b>	<b>12</b>	<b>501</b>	<b>56.8%</b>
<b>2012 Joint Annual Reports of Hospitals</b>									
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
TN	Community Beh	Shelby	19	50	772	6,655	9	18	36.5%
TN	Lakeside Behav	Shelby	290	290	6,606	63,508	10	174	60.0%
TN	Lakeside Behav	Shelby	15	15	636	3,903	6	11	71.3%
TN	Memphis Mental	Shelby	75	75	1,440	21,630	15	59	79.0%
TN	Delta Medical C	Shelby	90	90	1,500	22,340	15	61	68.0%
TN	Methodist Unive	Shelby	34	34	619	9,748	16	27	78.5%
TN	St. Francis Hosp	Shelby	102	102	2,008	16,843	8	46	45.2%
	<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>	<b>13,581</b>	<b>144,627</b>	<b>11</b>	<b>396</b>	<b>60.4%</b>
TN	Western Mental	Hardeman	162	187	1,211	41,617	34	114	61.0%
TN	Pathways of Ter	Madison	25	25	590	2,846	5	8	31.2%
	<b>SERVICE AREA TOTALS</b>		<b>793</b>	<b>868</b>	<b>15,382</b>	<b>189,090</b>	<b>12</b>	<b>518</b>	<b>59.7%</b>



**C(1).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.**

This is a proposed hospital, so it has no historical utilization. Its utilization during its first two years of operation is projected in the table below.

<b>Table Fifteen: Crestwyn Behavioral Health Projected Utilization Years One and Two 2015-2016</b>		
	<b>Year One</b>	<b>Year Two</b>
Admissions	1,020 admissions	1,776 admissions
Patient Days	9,795 days	16,225 days
Average Daily Census	26.9 patients	44.5 patients
Average Annual Occupancy	44.8%	74.1%

*Source: Acadia corporate management.*



**C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.**

- **ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST \$3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.**

- **THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.**

- **THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.**

- **FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.**

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1.

On the Project Costs Chart, following this response:

Line A.1, A&E fees, were estimated by the project architect.

Line A.2, legal, administrative, and consultant fees, were estimated by Acadia Healthcare corporate development staff.

Line A.4, site preparation cost, was estimated by Acadia Healthcare corporate development staff.



Line A.5, construction cost, was estimated by Acadia Healthcare corporate development staff.

Line A.6, contingency, was estimated by Acadia Healthcare corporate development staff at 12% of construction costs in line A.5.

Line A.7 includes both fixed and moveable equipment costs, estimated by Acadia Healthcare corporate development staff.

Line A.9 includes such costs as miscellaneous minor equipment and furnishings, miscellaneous fees and overhead, telecommunications and information systems, and a contingency for Acadia's potential purchase of up to 40 licensed hospital beds from another hospital system which is considering joining this project. Compensation to that hospital for contributing psychiatric beds to the project would consist of a minority membership interest in the project and/or cash payments. The values of those options have not been set at this time; but the amount entered in Line A.9 will be more than enough to cover any combination of ownership interests and cash payments that might be agreed to by the parties.

Line B.3 is the fair market value of the project site that Baptist Memorial Health Services, Inc., is contributing to the project when it is granted a 20% membership interest in the applicant LLC.



## PROJECT COSTS CHART—CRESTWYN BEHAVIORAL HEALTH

### A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	7% of A.5	998,375
2. Legal, Administrative, Consultant Fees (Excl CON Filing)		75,000
3. Acquisition of Site		0
4. Preparation of Site		1,500,000
5. Construction Cost	58,250 GSF X \$250 PSF	14,262,500
6. Contingency Fund	12% of A.5	1,711,500
7. Fixed Equipment (Not in A.5)	in A.8	0
8. Moveable Equipment (List all equipment over \$50,000)		2,000,000
9. Other (Specify)	telecomm/IS/Furnishgs/Misc Fees	500,000
	contingency for purchase of other beds	3,000,000

### B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	0
2. Building only	0
3. Land only	1,678,500
4. Equipment (Specify) _____	0
5. Other (Specify) _____	0

### C. Financing Costs and Fees:

1. Interim Financing*	1,104,987
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify) _____	0

### D. Estimated Project Cost (A+B+C)

26,830,862

### E. CON Filing Fee

statutory maximum

45,000

### F. Total Estimated Project Cost (D+E)

**TOTAL \$ 26,875,862**

Actual Capital Cost	25,197,362
Section B FMV	1,678,500

\*interim interest calculation--18 mo. Construction period assumed  
.5 X 21,047,375 X .07 X 1.5



**C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.**

**a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).**

       **A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

       **B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**

       **C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;**

       **D. Grants--Notification of Intent form for grant application or notice of grant award;**

  x   **E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or**

       **F. Other--Identify and document funding from all sources.**

All capital costs of the project will be provided through cash transfers from Acadia Healthcare, the applicant's ultimate parent company. Documentation of intention to provide that funding is included in Attachment C, Economic Feasibility--2, along with the income statement and balance sheet of Acadia Healthcare.



**C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.**

The justification of costs was provided in an earlier section, repeated here:

The Crestwyn Behavioral Health facility will be cost-effective and consistent with those averages. The project's estimated construction cost is approximately \$250 PSF, consistent with the HSDA's published median cost PSF in those years.

<b>Table Two (Repeated): Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$250 PSF

Hospital construction projects approved by the HSDA in 2010-2012 had the following average construction costs per SF:

<b>Table Five (Repeated): Hospital Construction Cost PSF Years: 2010 – 2012</b>			
	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$99.12/sq ft	\$234.64/sq ft	\$167.99/sq ft
<b>Median</b>	\$177.60/sq ft	<b>\$259.66/sq ft</b>	\$235.00/sq ft
3 <sup>rd</sup> Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012*



**C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).**

This project will be a new hospital, so it has no historical income and expense information.

See the following page for the Projected Data Chart, presenting income and expense projections for the project's first two operating years.



## PROJECTED DATA CHART—CRESTWYN BEHAVIORAL HEALTH

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

		Year One	Year Two
		1020	1776
A.	Utilization Data		
	Admissions		
	Patient Days	9,795	16,225
B.	Revenue from Services to Patients		
1.	Inpatient Services	\$ 12,243,750	\$ 20,686,875
2.	Outpatient Services	1,836,563	4,137,375
3.	Emergency Services		
4.	Other Operating Revenue (Specify)		
	<b>Gross Operating Revenue</b>	<b>\$ 14,080,313</b>	<b>\$ 24,824,250</b>
C.	Deductions for Operating Revenue		
1.	Contractual Adjustments	\$ 5,632,125	\$ 10,177,943
2.	Provision for Charity Care	140,803	248,243
3.	Provisions for Bad Debt	352,008	744,728
	<b>Total Deductions</b>	<b>\$ 6,124,936</b>	<b>\$ 11,170,913</b>
	<b>NET OPERATING REVENUE</b>	<b>\$ 7,955,377</b>	<b>\$ 13,653,338</b>
D.	Operating Expenses		
1.	Salaries and Wages	\$ 4,614,118	\$ 8,055,469
2.	Physicians Salaries and Wages	350,000	450,000
3.	Supplies	517,099	955,734
4.	Taxes	300,000	310,000
5.	Depreciation	450,000	460,000
6.	Rent		
7.	Interest, other than Capital		
8.	Management Fees		
a.	Fees to Affiliates	159,108	273,067
b.	Fees to Non-Affiliates		
9.	Other Expenses (Specify)	795,538	1,365,334
	Dues, Utilities, Insurance, and Prop Taxes.		
	<b>Total Operating Expenses</b>	<b>\$ 7,185,863</b>	<b>\$ 11,869,603</b>
E.	Other Revenue (Expenses) -- Net (Specify)	\$	\$
	<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 769,513</b>	<b>\$ 1,783,734</b>
F.	Capital Expenditures		
1.	Retirement of Principal	\$ 0	\$ 0
2.	Interest	600,000	600,000
	<b>Total Capital Expenditures</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>
	<b>NET OPERATING INCOME (LOSS)</b>		
	<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ 169,513</b>	<b>\$ 1,183,734</b>



**C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.**

<b>Table Sixteen: Average Charges, Deductions, Net Charges, Net Operating Income</b>		
	<b>2015</b>	<b>2016</b>
Patient Days	9,795	16,225
Admissions or Discharges	1,020	1,776
Average Gross IP Charge Per Day	\$1,250	\$1,275
Average Gross IP Charge Per Admission	\$12,004	\$11,648
Average Deduction from Operating Revenue per Day	\$625	\$689
Average Deduction from Operating Revenue per Admission	\$6,005	\$6,290
Average Net Charge (Net Operating Revenue) Per Day	\$812	\$842
Average Net Charge (Net Operating Revenue) Per Admission	\$7,799	\$7,688
Average Net Operating Income after Expenses, Per Day	\$79	\$110
Average Net Operating Income after Expenses, Per Admission	\$754	\$1,004

*Source: Acadia Healthcare corporate development staff. Data calculations are from the Crestwyn Projected Data Chart preceding this page. Dollars are rounded.*

**C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.**

Not applicable. This is a proposed new facility.



**C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).**

The projected charges for the Crestwyn project in 2015 are consistent with the reported charges for private psychiatric hospitals in this area in 2012, when allowance is made for periodic charge increases by existing hospitals, over a three-year period.

The following page contains a chart showing the most frequent procedures to be performed, with their current Medicare reimbursement, and their projected Years One and Two utilization and average gross charges.



**SERVICE: Psychiatric Care**

**SERVICE:** Chemical Dependency

[illegible]



**C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.**

Acadia is an experienced provider with a hospital already in this market. Its high utilization at Delta Medical Center since its acquisition in early 2013 gives Acadia assurance that the projected fill rates for these psychiatric and chemical dependency beds will generate a positive operating margin by Year Two.

**C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.**

Acadia's financial statements document the ability of Crestwyn's parent company to sustain the hospital until financial viability is achieved. A positive cash flow will be attained early in its operation because Acadia will be able to triage admissions between Delta Medical Center's and Crestwyn's programs to maintain viability at both locations.



**C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.**

Crestwyn will participate in all available TennCare MCO's and will seek to participate in the Medicaid programs of Arkansas and Mississippi. Indigent care of 1% of gross revenues is projected, within a 10% self-pay payor mix consisting of the underinsured, uninsured, and indigent. This is a minimum commitment; Acadia's other hospital in Memphis, Delta Medical Center, has even higher payor mixes of self-pay and indigent.

<b>Table Eighteen: Medicare and TennCare/Medicaid Revenues, Year One</b>		
	<b>Medicare</b>	<b>TennCare/Medicaid</b>
Gross Revenue	\$3,520,078	\$2,112,047
Percent of Gross Revenue	25%	15%

**C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT...**

These are provided as Attachment C, Economic Feasibility--10.



**C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:**

**A. A DISCUSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.**

**B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.**

When Acadia acquired Delta Medical Center in late January 2013, Delta was financially distressed to the point of near-insolvency. By addressing operational issues at Delta and by marketing its services to a wide region in need of psychiatric care, Delta has gotten on a path to financial stability. With special assistance, Delta can continue serving an immediate community with a challenging lower-income payor mix. One form of assistance is extra Medicare reimbursement based on Medicare designation as a Disproportionate Share Hospital (DSH) due to an unusually high Medicare and TennCare payor mix. Delta's DSH designation must be maintained and, because DSH designation is not available to facilities of less than 100 medical-surgical beds, it would be lost if Delta converted 60 medical-surgical beds to psychiatric beds,

In addition, architectural analysis (see report in the Attachments) has found that design options to convert significant numbers of Delta's medical-surgical beds to psychiatric beds would not be financially feasible. Issues identified included the following:

- The renovation required to convert a significant number of beds would trigger licensing requirements to extensively upgrade Delta's old facility to meet current codes. This would result in a massive capital expenditure that ultimately would not capture many new psychiatric beds; the cost per bed gained would be close to that of the new facility being proposed.



- New construction to add beds on the ground level is not feasible due to issues of insufficient land, or loss of needed parking spaces, or blocking of delivery areas behind the hospital, or fragmentation of the psych services into two different areas of the property.

Another consideration for Acadia, and for the community residing around Delta Medical Center, is the need for Acadia to develop the sort of broader system-wide payor mix for its facilities that is enjoyed by the other hospital systems in Memphis. With a facility at Delta's location, plus new bed capacity in the high-growth area of Germantown, Acadia's operations can become more financially balanced. Acadia can continue to invest significantly in upgrading Delta Medical Center and in new physician recruitment.



**C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AND/OR WORKING RELATIONSHIPS, E.G., TRANSFER AGREEMENTS, CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.**

The applicant will seek transfer agreements with Delta, Baptist, Methodist, the MED, and other service area hospitals, including facilities in Mississippi and Arkansas, in the designated primary service area. It is premature to identify other types of relationships that would develop as the facility becomes operational. It will, of course, have coordination of operations with Delta Medical Center in a variety of activities including marketing, admissions, discharges, and program development and operation.



**C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.**

The applicant believes that replacing/relocating existing hospitals' licensed beds within Shelby County, from areas of underutilization to areas where they will be more highly utilized, is a very positive thing for the local health system. Acadia is able to do this in a way that will not add any hospital beds to Shelby County. It is Acadia's expectation that, through collaboration with another hospital system, this could even be done without increasing psychiatric bed complements in Memphis. But either way, this project will support the State Health Plan's objectives that providers and regulators collaborate to improve quality, accessibility, and competition, as well as considering bed needs appropriately. And CON denial of this collaborative project would do nothing at all to improve quality, accessibility, or competition in psychiatric care. Finally, it seems that adding only 5% more psychiatric beds to the Tennessee service area's licensed complements would not be a significant adverse event within a twenty-county primary service area.

When facilities relocate in this manner, it is difficult to quantify their impact on similar service providers a half hour drive or more away across an urban area. And, it is difficult to assess the additional demand for psychiatric services that may arise in the three-State service area as a result of the Affordable Care Act's phased-in implementation. Acadia anticipates that Crestwyn's projected admissions will result from a combination of (a) additional area residents seeking services, (b) some relocation of admissions from Delta Medical Center, and (c) a shift of some admissions broadly distributed across other psychiatric providers in Memphis.



**C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.**

Please see the following page for a chart of projected FTE's and salary ranges.

The Department of Labor and Workforce Development website indicates the following Memphis area's annual salary information for Crestwyn's types of clinical employees.

<b>Table Nineteen: TDOL Surveyed Average Salaries for the Region</b>				
<b>Position</b>	<b>Entry Level</b>	<b>Mean</b>	<b>Median</b>	<b>Experienced</b>
Dir. of Nursing	not surveyed			
RN	\$49,270	\$60,500	\$59,880	\$66,120
Nursing Assistant	\$19,410	\$23,760	\$23,130	\$25,940
Occupational Therapist	\$57,600	\$75,360	\$76,110	\$84,230
Activity (Recreat'l) Therapist	\$31,620	\$44,350	\$39,980	\$50,710
Social Worker (MH)	\$32,530	\$40,920	\$38,570	\$45,120
Infection Control	not surveyed			
Outreach Coordinator	not surveyed			



**Table Twenty: Crestwyn Behavioral Health  
Projected Staffing**

Position Type (RN, etc.)	Current FTE's	Year One FTE's	Year Two FTE's	Projected Salary
Director of Nursing		1	1	\$100,000 Annual
Outreach Coordinator		2	3	\$54,000 Annual
QA/Infection Control		1	1	\$55,000 Annual
Social Worker/Case Managers		2	3	\$55,000 Annual
Activity Therapist		1	1.5	\$42,000 Annual
Occupational Therapist		1	1	\$65,000 Annual
Registered Nurses		12	15	\$60,000 Annual
Nursing Assistants/Psychiatric Techs		20	30	\$24,000 Annual
<b>Total FTE's</b>		40	55.5	

Source: Acadia Healthcare



**C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.**

The applicant already operates a hospital-based psychiatric inpatient program in Memphis, and understands those State requirements. Unlike Delta Medical Center, which is licensed as a general hospital by the Board for Licensing Healthcare Facilities of the Tennessee Department of Health, Crestwyn will be licensed by the Department of Mental Health and Substance Abuse Services (DMHSAS). Acadia operates similar hospitals nationally and believes that the human resources required by DMHSAS will be readily available on either the local, or the national, market.

**C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW POLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.**

The applicant so verifies.



**C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).**

The proposed facility will establish relationships with numerous health professions programs. Its sister hospital, Delta Medical Center, currently has the following clinical rotations in place with a dozen institutions. Many of these would be potential training relationships for a free-standing psychiatric facility as well as to DMC.

Christian Brothers University – Nursing students – average 5-7

Christian Brothers University – Counselors Masters & Bachelors – average 3 a semester

University of Memphis – Nursing students – average 5

University of Memphis – Counselors Masters & Bachelors – average 3

University of Memphis – Dietitian Program – average 1

Bowling Green State – Dietitian Program – average 1

Victory University – Counselors Bachelors – average 1

Southwest – Radiology Students – average 2

Concorde – Radiology Students – average 1

Concorde – Nursing students – average 30 do clinical rotation

Baptist School of Nursing – average 10 do clinical rotation in Behavioral Health departments

In addition to these, as was stated earlier in the application, Acadia's local operations staff have initiated several meetings with the UT College of Medicine to explore training relationships at Delta and, if approved, at Crestwyn.



**C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.**

The applicant so verifies.

**C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION**

**LICENSURE:** Board for Licensure of Healthcare Facilities  
Tennessee Department of Health

**CERTIFICATION:** Medicare Certification from CMS  
TennCare Certification from TDH

**ACCREDITATION:** Joint Commission

**C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.**

The applicant is a proposed institution.



**C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.**

The applicant is a proposed institution.

**C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.**

None.

**C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.**

None.

**C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.**

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.



## **PROOF OF PUBLICATION**

Attached.

## **DEVELOPMENT SCHEDULE**

**1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.**

The Project Completion Forecast Chart is provided after this page.

**2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.**

Not applicable. The applicant anticipates completing the project within the period of validity.



## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed		
2. Construction documents approved by TDH		
3. Construction contract signed		
4. Building permit secured		
5. Site preparation completed		
6. Building construction commenced		
7. Construction 40% complete		
8. Construction 80% complete		
9. Construction 100% complete		
10. * Issuance of license		
11. *Initiation of service		
12. Final architectural certification of payment		
13. Final Project Report Form (HF0055)		

**\* For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

**Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**



## INDEX OF ATTACHMENTS

A.4	Ownership--Legal Entity and Organization Chart (if applicable)
A.6	Site Control
B.II.A.	Square Footage and Costs Per Square Footage Chart
B.III.	Plot Plan
B.IV.	Floor Plan
C, Need--3	Service Area Maps
C, Economic Feasibility--1	Documentation of Construction Cost Estimate
C, Economic Feasibility--2	Documentation of Availability of Funding
C, Economic Feasibility--10	Financial Statements
C, Orderly Development--7(C)	Licensing & Accreditation Inspections
Miscellaneous Information	
Support Letters	



**A.4--Ownership**  
**Legal Entity and Organization Chart**





**STATE OF TENNESSEE**  
**Tre Hargett, Secretary of State**  
Division of Business Services  
William R. Snodgrass Tower  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

Crestwyn Health Group, LLC  
STE 610  
830 CRESCENT CENTRE DR  
FRANKLIN, TN 37067-7323

January 28, 2013

OCT 15 '13 PM 3:32

### Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

<b>SOS Control # :</b>	<b>707489</b>	Formation Locale:	TENNESSEE
Filing Type:	Limited Liability Company - Domestic	Date Formed:	01/25/2013
Filing Date:	01/25/2013 3:59 PM	Fiscal Year Close:	12
Status:	Active	Annual Report Due:	04/01/2014
Duration Term:	Perpetual	Image # :	7137-1468
Managed By:	Member Managed		
Business County:	WILLIAMSON COUNTY		

#### Document Receipt

Receipt # : 889033	Filing Fee:	\$300.00
Payment-Check/MO - WALLER LANSDEN DORTCH & DAVIS LLP, NASHVILLE, TN		\$300.00

**Registered Agent Address:**  
C T CORPORATION SYSTEM  
STE 2021  
800 S GAY ST  
KNOXVILLE, TN 37929-9710

**Principal Address:**  
STE 610  
830 CRESCENT CENTRE DR  
FRANKLIN, TN 37067-7323

Congratulations on the successful filing of your **Articles of Organization** for **Crestwyn Health Group, LLC** in the State of Tennessee which is effective on the date shown above. You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee. Visit the TN Department of Revenue website ([apps.tn.gov/bizreg](http://apps.tn.gov/bizreg)) to determine your online tax registration requirements.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

  
Tre Hargett  
Secretary of State

Processed By: Rita Hunter



**FILED**

**ARTICLES OF ORGANIZATION  
OF  
CRESTWYN HEALTH GROUP, LLC**

The undersigned, acting as the organizer of a limited liability company (the "Company") under the Tennessee Revised Limited Liability Company Act, Tennessee Code Annotated, Sections 48-249-101, *et seq.* (the "Act"), as amended, hereby adopts the following Articles of Organization for such limited liability company:

**ARTICLE I**

**Name**

The name of the limited liability company is Crestwyn Health Group, LLC (the "Company").

**ARTICLE II**

**Registered Office and Agent**

The address of the registered office is 800 S. Gay Street, Suite 2021, Knoxville, Tennessee 37929. The name of the Company's initial registered agent is CT Corporation System.

**ARTICLE III**

**Organizer**

The name and address of the organizer of the Company is Christopher L. Howard, 830 Crescent Centre Drive, Suite 610, Franklin, Williamson County, Tennessee 37067.

**ARTICLE IV**

**Principal Executive Office**

The principal executive office of the Company is 830 Crescent Centre Drive, Suite 610, Franklin, Williamson County, Tennessee 37067.

**ARTICLE V**

**Management**

The Company shall be member-managed.

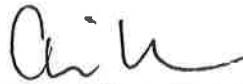


**ARTICLE VI**

**Date of Formation**

The existence of the Company is to begin upon the filing of the Articles.

Dated: January 24, 2013.



---

Christopher L. Howard, Organizer





**STATE OF TENNESSEE**  
**Tre Hargett, Secretary of State**  
**Division of Business Services**  
William R. Snodgrass Tower  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

Ann K. Rich, Paralegal  
WALLER LANSDEN  
STE 2700  
511 UNION ST  
NASHVILLE, TN 37219-1791

October 1, 2012

**Filing Acknowledgment**

Please review the filing information below and notify our office immediately of any discrepancies.

Control #:	<b>696885</b>	Expiration Date:	01/31/2013
Filing Type:	Reserved Name	Image # :	7101-0149
Filing Date:	10/01/2012 9:59 AM		
Status:	Active		

**Document Receipt**

Receipt # : 829828	Filing Fee:	\$20.00
Payment-Check/MO - WALLER LANSDEN DORTCH & DAVIS LLP, NASHVILLE, TN		\$20.00

Congratulations on the successful filing of your **Name Reservation** for **Crestwyn Health Group, LLC** in the State of Tennessee on the date shown above. Please submit a copy of this acknowledgment when filing a document which utilizes this name reservation. This name expires at the close of business on the expiration date shown above.

When corresponding with this office or submitting documents for filing, please refer to the control number given above.

  
Tre Hargett  
Secretary of State

Processed By: Tammy Morris



**ACTIONS BY WRITTEN CONSENT  
OF  
THE ORGANIZER  
OF  
CRESTWYN HEALTH GROUP, LLC**

Pursuant to the Tennessee Revised Limited Liability Company Act, the undersigned organizer of Crestwyn Health Group, LLC, a Tennessee limited liability company (the "Company"), hereby consents to taking action without a meeting, by written consent, and hereby takes the following actions:

The following resolutions are hereby adopted by the unanimous vote of the organizer:

1. Approval of Articles of Organization.

**RESOLVED**, that the Articles of Organization of the Company, filed with the Secretary of State of Tennessee on January 25, 2013, be, and it is hereby, accepted by the undersigned organizer as the Articles of Organization of the Company.

2. Acceptance of Initial Contributions.

**WHEREAS**, the Company has received an offer of contribution from Acadia Merger Sub, LLC, for 100 units of membership interests in the Company, representing 100% of the issued and outstanding membership interests in the Company, in exchange for the initial capital contribution of \$100.00;

**NOW, THEREFORE, BE IT RESOLVED**, that the aforementioned offer of contribution is fair, reasonable and adequate, and should be, and hereby is, accepted; and

**RESOLVED FURTHER**, that when the Company has received the initial capital contribution as specified above, the Company shall issue to the contributor the applicable units of membership interests in the Company, such units to be fully paid and non-assessable; and

**RESOLVED FURTHER**, that the appropriate officers and managers of the Company be, and they hereby are, authorized, empowered and directed to take all other steps necessary or advisable in order to fully effectuate such issuance.

The undersigned, being the organizer of the Company, waives all notice of the date, time, place and purpose of this special meeting of the organizer of the Company and agrees to the transaction of the business hereinabove set forth by written consent of said organizer in lieu of such meeting. This consent shall be included in the minute book of the Company.

Dated: January \_\_, 2013.



---

Christopher L. Howard, Organizer



**ACTIONS BY WRITTEN CONSENT  
OF THE MEMBER  
OF  
CRESTWYN HEALTH GROUP, LLC**

In lieu of the first meeting of the sole member of Crestwyn Health Group, LLC, a Tennessee limited liability company (the "Company"), and to complete the organization of the Company, the sole member hereby consents to taking action without a meeting, by written consent, and hereby takes the following actions:

The following resolutions are hereby adopted by the sole member:

1. Approval of Actions by the Organizer.

**RESOLVED**, that all actions taken by Christopher L. Howard as the organizer of the Company, including the making and executing of the document entitled "Actions by Written Consent of the Organizer of Crestwyn Health Group, LLC," be, and they are hereby, accepted and approved and such document shall be included in the minute book of the Company.

2. Approval of Articles of Organization of the Company.

**RESOLVED**, that the Articles of Organization of the Company, which have been presented to and reviewed by the sole member be, and it is hereby, approved and accepted by the sole member as the Articles of Organization of the Company and a copy thereof shall be included in the minute book of the Company.

3. Approval of Operating Agreement.

**RESOLVED**, that the proposed Operating Agreement of the Company for managing and regulating the business and affairs of the Company, which has been presented to and reviewed by the sole member be, and it is hereby, adopted and approved as the Operating Agreement of the Company and a copy thereof shall be included in the minute book of the Company.

4. Appointment of Officers.

**RESOLVED**, that the following persons be, and they hereby are, appointed to hold the office set forth opposite their names below, until their successors are duly appointed and qualified:

Joey A. Jacobs	President
Christopher L. Howard	Vice President and Secretary
Brent Turner	Vice President and Assistant Secretary
David M. Duckworth	Vice President and Treasurer

5. Adoption of Fiscal Year.

**RESOLVED**, that the Company operate on a fiscal year commencing January 1 and terminating December 31 of each year.

6. Resignation of Authorized Person.

**RESOLVED**, that the resignation of Christopher L. Howard as the organizer of the Company, be, and it is hereby, accepted and approved by the Company.



7. Further Authorization for Organization.

**RESOLVED**, that the appropriate officers and managers of the Company (or any of them) be, and they hereby are, authorized, empowered and directed to take all necessary or appropriate action, including the expenditure of funds, in order to fully and expeditiously complete the organization of the Company.

The undersigned member of the Company, by signing this consent, waives all notice of the date, time, place and purpose of the first meeting of the member and agrees to the transaction of the business hereinabove set forth by written consent of said member in lieu of such meeting. This consent shall be included in the minute book of the Company.

Dated: January \_\_, 2013.

**MEMBER:**

Acadia Merger Sub, LLC

By:

Name:

Its:



Christopher L. Howard

VP + Secretary



January \_\_, 2013

TO THE MEMBER OF  
CRESTWYN HEALTH GROUP, LLC

The undersigned, being the organizer of Crestwyn Health Group, LLC, a Tennessee limited liability company, tenders his resignation to be effective upon acceptance.

A handwritten signature in cursive script, appearing to read "Ch Howard", written in black ink.

---

Christopher L. Howard  
*Organizer*



State of Tennessee



Department of State  
Corporate Filings  
312 Rosa L. Parks Avenue  
6<sup>th</sup> Floor, William R. Snodgrass Tower  
Nashville, TN 37243

For Office Use Only

APPLICATION FOR RESERVATION OF  
LIMITED LIABILITY COMPANY NAME

FILED

**Note:** An application for name reservation need not be filed with articles of organization.

To the Tennessee Secretary of State:

Pursuant to §48-207-102 of the Tennessee Limited Liability Company Act or §48-249-107 of the Tennessee Revised Limited Liability Company Act, the undersigned hereby applies for reservation of the following name for a period of four (4) months:

Crestwyn Health Group, LLC.

(Name to be reserved)

The name and address of the applicant is:

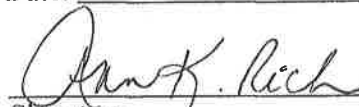
Ann K. Rich, Paralegal, Waller Lansden

511 Union Street, Suite 2700

Nashville, TN 37219

Zip Code

Date: September 28, 2012

  
Signature

Ann K. Rich

Name (typed or printed)

Paralegal

Signer's Capacity (if other than individual capacity)



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*Improving the lives we touch.*
*Child, adolescent, adult and senior behavioral health treatment*

## Acadia Healthcare Leadership

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**A**cadia Healthcare's behavioral health treatment facilities are specialized solely in helping children, adolescents, adults and seniors suffering from mental health disorders and/or alcohol and drug addiction.

Contact us today for the best treatment possible for you or a loved one.

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### Acadia Healthcare Leadership

Acadia Healthcare Senior Management Team has more than 130 years combined experience in the behavioral health industry. With extensive national experience and a proven track record in all key disciplines, our goal is to create a world-class organization that sets the standard of excellence in the treatment of specialty behavioral health and addiction disorders.

#### **Joey A. Jacobs** Chairman & Chief Executive Officer

Joey A. Jacobs joined Acadia in February 2011 and has served as the Chairman of the Acadia board of directors and as Acadia's Chief Executive Officer since that time. Mr. Jacobs has extensive experience in the behavioral health industry. He co-founded Psychiatric Solutions, Inc. ("PSI") and served as Chairman, President and Chief Executive Officer of PSI from April 1997 to November 2010. Prior to founding PSI, Mr. Jacobs served for 21 years in various capacities with Hospital Corporation of America ("HCA," also formerly known as Columbia and Columbia/HCA), most recently as President of the Tennessee Division. Mr. Jacobs' background at HCA also included serving as president of HCA's Central Group, vice president of the Western Group, assistant vice president of the Central Group and assistant vice president of the Salt Lake City Division. The board of directors of Acadia believes that Mr. Jacob's qualifications to serve as a director include his 35 years of experience in the health care industry.

#### **Brent Turner** President

Brent Turner joined Acadia in February 2011 and has served as a Co-President of Acadia since that time. Previously, Mr. Turner served as the Executive Vice President, Finance and Administration of PSI from August 2005 to November 2010 and as the Vice President, Treasurer and Investor Relations of PSI from February 2003 to August 2005. From late 2008 through 2010, Mr. Turner also served as a Division President of PSI overseeing facilities in Texas, Illinois and Minnesota. From 1996 until January 2001, Mr.



Turner was employed by Corrections Corporation of America, a private prison operator, serving as Treasurer from 1998 to 2001.

**Ron Fincher**  
**Chief Operating Officer**

Ron Fincher joined Acadia in February 2011 and has served as Acadia's Chief Operating Officer since that time. Previously, Mr. Fincher served as PSI's Chief Operating Officer from October 2008 to November 2010. As Chief Operating Officer of PSI, Mr. Fincher oversaw hospital operations for 95 facilities. He had served PSI as a Division President since April 2003. As a Division President, Mr. Fincher was responsible for managing the operations of multiple inpatient behavioral health care facilities owned by the Company. Prior to joining PSI, Mr. Fincher served as a Regional Vice President of Universal Health Services, Inc. from 2000 until 2003.

**David Duckworth**  
**Chief Financial Officer**

Mr. Duckworth joined Acadia in April 2011, after having served since May 2010 as Director of Finance at Emdeon Inc., a leading provider of revenue and payment cycle management and clinical information exchange solutions, which was then a NYSE-listed company. Previously, Mr. Duckworth was a Manager with Ernst & Young LLP, which he joined in 2002. Among a number of healthcare clients he served at Ernst & Young, Mr. Duckworth worked with Psychiatric Solutions, Inc. (PSI) throughout that company's eight-year tenure as a public company, including a number of years in which he served as Audit Manager.

**Christopher L. Howard**  
**Executive Vice President, General Counsel**

Christopher L. Howard joined Acadia in February 2011 and has served as Acadia's Executive Vice President, General Counsel and Secretary since that time. Before joining Acadia, Mr. Howard served as PSI's Executive Vice President, General Counsel and Secretary from September 2005 to November 2010. Prior to joining PSI, Mr. Howard was a partner at of Waller Lansden Dortch & Davis, LLP, a law firm based in Nashville, Tennessee.

**Steve T. Davidson**  
**Chief Development Officer**

Steve T. Davidson joined Acadia in April 2012 and has served as Chief Development Officer since that time. Previously, Mr. Davidson served as Chief Development Officer of PSI from August 1997 to November 2010. Prior to joining PSI, Mr. Davidson was, from 1991 until 1997, Director of development at HCA, which he joined in 1983. Previously, he was a Senior Auditor with Ernst & Young LLP.

**Bruce A. Shear**  
**Executive Vice Chairman**

Bruce A. Shear has served as President, Chief Executive Officer and a director of PHC since 1980 and Treasurer of PHC from September 1993 until February 1996. Upon consummation of the merger, it is anticipated that Mr. Shear will be appointed as the Executive Vice Chairman and a director of Acadia. From 1976 to 1980, he served as Vice President, Financial Affairs, of PHC. The board of directors of Acadia believes that Mr. Shear is qualified to serve as a director due to, among other things, his extensive knowledge of and experience in the healthcare industry and his knowledge of PHC. Mr. Shear has served on the Board of Governors of the Federation of American Health Systems for over fifteen years and is currently a member of the Board of Directors of the



National Association of Psychiatric Health Systems. Since November 2003, Mr. Shear has been a member of the Board of Directors of Vaso Active Pharmaceuticals, Inc., a company marketing and selling over-the-counter pharmaceutical products that incorporate Vaso's transdermal drug delivery technology.

**Arizona**

Parc-Place  
Sonora Behavioral Health

**Arkansas**

Ascent Children's Health Services  
Millcreek of Arkansas  
Piney Ridge Center  
Ridgeview Group Home  
Valley Behavioral Health System  
Vantage Point  
Riverview Behavioral Health

**Delaware**

MeadowWood Hospital

**Florida**

Park Royal Hospital

**Georgia**

Blue Ridge Mountain Recovery  
Center  
Greenleaf Centers  
Lakeview Behavioral Health  
RiverWoods Behavioral Health  
System

**Illinois**

Timberline Knolls

**Indiana**

Resolute Treatment Center  
Resource Treatment Center  
Options Behavioral Health System

**Louisiana**

Vermillion Behavioral Health  
Systems  
Acadiana Addiction Center

**Michigan**

Detroit Capstone Academy  
Harbor Oaks Hospital  
StoneCrest Center  
Wellplace Michigan

**Mississippi**

Millcreek of Magee  
Millcreek of Pontotoc

**Missouri**

Lakeland Behavioral Health  
System

**Montana**

Acadia Montana

**Nevada**

Harmony Healthcare  
Seven Hills Behavioral Institute

**New Mexico**

Desert Hills of New Mexico

**Ohio**

Ohio Hospital for Psychiatry  
Shaker Clinic  
Ten Lakes Center

**Oklahoma**

Rolling Hills Hospital

**Pennsylvania**

Southwood Hospital  
Wellplace Pennsylvania

**Tennessee**

Delta Medical Center  
The Village

**Texas**

Abilene Behavioral Health  
Cedar Crest Clinic  
Cedar Crest Hospital & RTC  
Red River Hospital

**Utah**

Highland Ridge Hospital  
Wellplace Utah

**Virginia**

Mount Regis Center

**Outside the US - Puerto Rico**

Hospital San Juan Capestrano, Rio  
Piedras, Puerto

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The terms "Acadia Healthcare," "Acadia," and the "company" as used in this website refer to Acadia Healthcare Company, Inc. and its affiliates, unless otherwise stated or indicated by context. The terms "facilities" and "centers" refer to entities owned, operated, or managed by subsidiaries or affiliates of Acadia Healthcare Company, Inc. References herein to "Acadia employees" or to "our employees" refer to employees of affiliates of Acadia Healthcare Company, Inc.

Optimized by SEO Ultimate



## **A.6--Site Control**



BAPTIST MEMORIAL HEALTH CARE CORPORATION

June 1, 2013


Ms Melanie Hill, Executive Director  
Health Services and Development Agency  
Frost Building, 3rd Floor  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

RE: Property Contribution to Crestwyn Health Group, LLC

Dear Ms. Hill:

Baptist Memorial Health Services, Inc (BMHSI) is the owner of the property described on the enclosed Exhibit A. Upon issuance of a Certificate of Need (CON) to Crestwyn Health Group, LLC to build a psychiatric hospital on the property, BMHSI is committed to contributing the land to Crestwyn Health Group, LLC (Company) in exchange for a 20% interest in the Company. The fair market value of the land described on the attached Exhibit A is \$4,500,000.

Sincerely,



Gregory M. Duckett  
Corporate Counsel



## EXHIBIT A

BEING A SURVEY OF THE BAPTIST MEMORIAL HEALTH CARE CORPORATION PROPERTY AS DESCRIBED AS PARCEL 2 IN INSTRUMENT NUMBER HE 1096 AT THE SHELBY COUNTY REGISTER OFFICE, AND BEING LOCATED IN SHELBY COUNTY, TENNESSEE AND BEING MORE PARTICULARLY DESCRIBED ASA FOLLOWS:

BEGINNING AT A SET  $\frac{1}{4}$ " IRON PIN ON THE SOUTH LINE OF WINCHESTER ROAD (134' WIDE PUBLIC R.O.W.) 30.00 FEET EAST OF THE TANGENT INTERSECTION OF SAID SOUTH LINE WITH THE EAST LINE OF CRESTWYN HILLS DRIVE (68' WIDE PUBLIC R.O.W.);

THENCE S  $88^{\circ}15'30''$  E ALONG SAID SOUTH LINE 212.16 FEET TO A SET  $\frac{1}{4}$ " IRON PIN AT THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE EASTWARDLY ALONG SAID SOUTH LINE AND ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 3752.72 FEET, AN ARC LENGTH OF 301.11 FEET AND A CHORD OF 301.03 FEET (S  $85^{\circ}57'35''$  E) TO A SET  $\frac{1}{4}$ " IRON PIN AT THE POINT OF TANGENCY;

THENCE S  $83^{\circ}39'40''$  E ALONG SAID SOUTH LINE 227.35 FEET TO A SET  $\frac{1}{4}$ " IRON PIN AT THE BEGINNING OF A CURVE TO THE LEFT;

THENCE EASTWARDLY ALONG SAID SOUTH LINE AND ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 3886.72 FEET, AN ARC LENGTH OF 456.89 FEET AND A CHORD OF 456.63 FEET (S  $87^{\circ}01'43''$  E) TO A SET  $\frac{1}{4}$ " IRON PIN AT THE POINT OF TANGENCY;

THENCE N  $89^{\circ}36'13''$  E ALONG SAID SOUTH LINE 352.74 FEET TO A SET  $\frac{1}{4}$ " IRON PIN ON WEST LINE OF THE CITY OF MEMPHIS PROPERTY (INSTRUMENT NUMBER JS 4600), SAID POINT ALSO BEING 20.00 FEET EAST OF THE WEST LINE OF A 150 FOOT WIDE TVA EASEMENT (INSTRUMENT NUMBER Y8 9513);

THENCE S  $00^{\circ}06'23''$  E 20.00 FEET EAST OF AND PARALLEL TO SAID WEST LINE OF TVA EASEMENT A DISTANCE OF 424.49 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN ON THE NORTH LINE OF THE CITY OF MEMPHIS PROPERTY (INSTRUMENT NUMBER JM 8143);

THENCE S  $89^{\circ}53'37''$  W ALONG SAID NORTH LINE 600.07 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN AT THE NORTHWEST CORNER;

THENCE S  $00^{\circ}05'20''$  E ALONG THE WEST LINE OF SAID CITY OF MEMPHIS PROPERTY 799.93 FEET TO A SET  $\frac{1}{4}$ " IRON PIN AT AN ANGLE POINT;

THENCE S  $19^{\circ}16'20''$  E ALONG SAID WEST LINE 1219.33 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN ON THE NORTH LINE OF THE STATE OF TENNESSEE PROPERTY (INSTRUMENT NUMBER BN 2700), SAID POINT ALSO BEING ON THE NORTH LINE OF A 100 FOOT ELECTRIC TRANSMISSION LINE EASEMENT (INSTRUMENT NUMBER BN 2700);

THENCE S  $89^{\circ}45'06''$  W ALONG SAID NORTH LINE 1657.37 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN ON THE EAST LINE OF THE FOREST HILL ASSOCIATES PROPERTY (INSTRUMENT NUMBER F2 6206);



## EXHIBIT A – CONTINUED

THENCE N 19°22'10" W ALONG SAID EAST LINE 966.85 FEET TO A FOUND ½" IRON PIN ON THE EAST LINE OF CRESTWYN HILLS DRIVE;

THENCE NORTHEASTWARDLY ALONG SAID EAST LINE AND ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 859.00 FEET, AN ARC LENGTH OF 1032.48 FEET AND A CHORD OF 971.44 FEET (N 36°10'31" E) TO A SET ½" IRON PIN AT THE POINT OF TANGENCY;

THENCE N 01°44'30" E ALONG SAID EAST LINE 732.68 FEET TO A SET ½" IRON PIN AT THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE NORTHEASTWARDLY ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 30.00 FEET, AN ARC LENGTH OF 47.12 AND A CHORD OF 42.42 FEET (N 46°44'43" E) TO THE POINT OF BEGINNING.

### LESS AND EXCEPT:

All property within Phase I, Germantown Business Park, as shown on plat of record in Plat Book 214, Page 24, in the Register's Office of Shelby County, Tennessee, to which plat reference is hereby made for a more particular description of said property.



**B.II.A.--Square Footage and Costs Per Square  
Footage Chart**

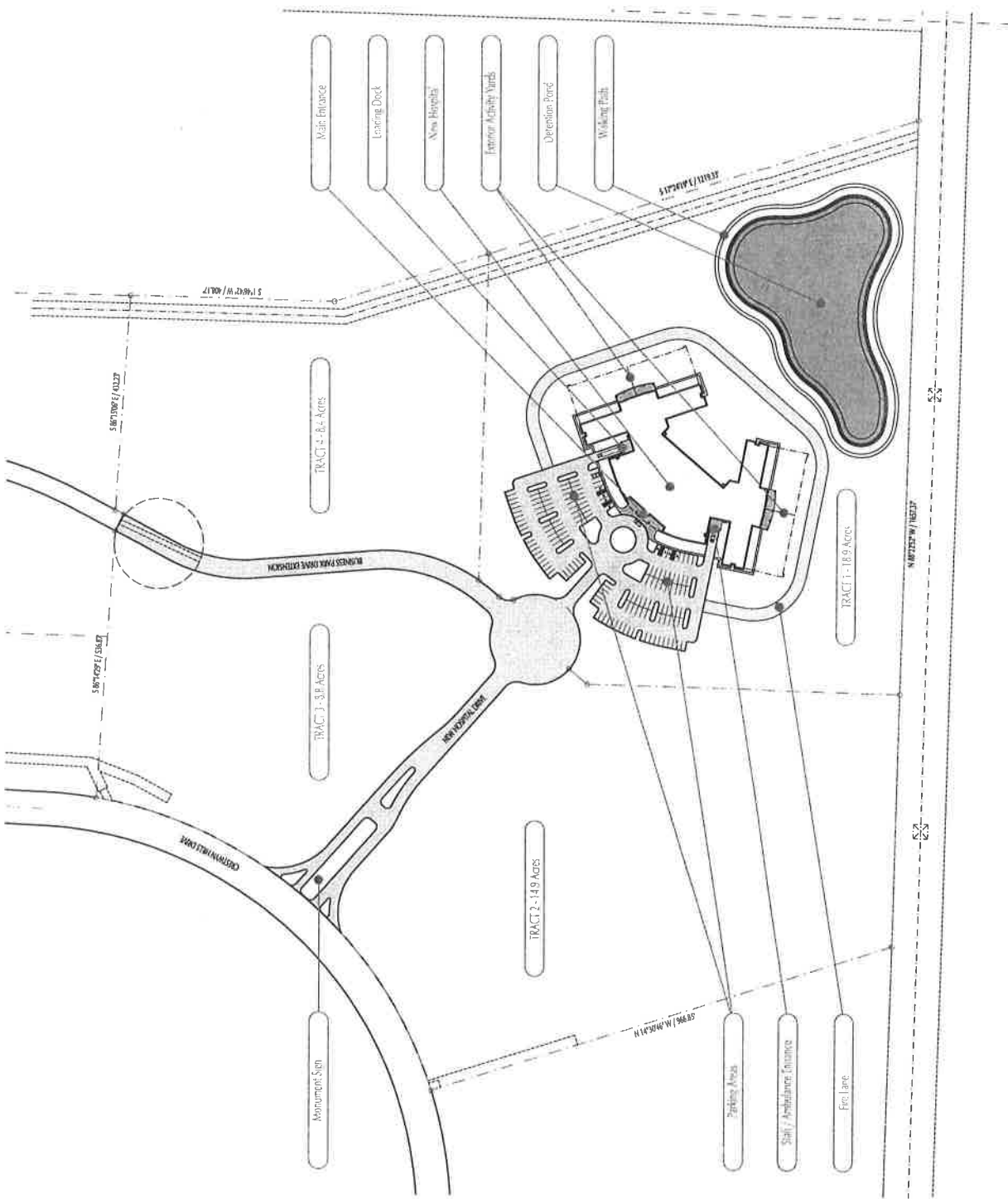


### **B.III.--Plot Plan**



**NEW 60-BED INPATIENT PSYCHIATRIC HOSPITAL**

LEGEND	
	New Building Area
	59,250 sf



OCT 15 '13 PM 9:32

GRAPHIC SCALE		
0	100	200
		400'



CONCEPTUAL SITE PLAN	
NEW AMBUSH PSYCHIATRIC HOSPITAL CROSWELL HEALTH GROUP, LLC MEMPHIS, TENNESSEE	<b>CO01-01</b> 11 JUNE 2013



## **B.IV.--Floor Plan**



NEW 60-BED INPATIENT PSYCHIATRIC HOSPITAL

LEGEND

- New Building Area
- Circulation Area

50,350 sf

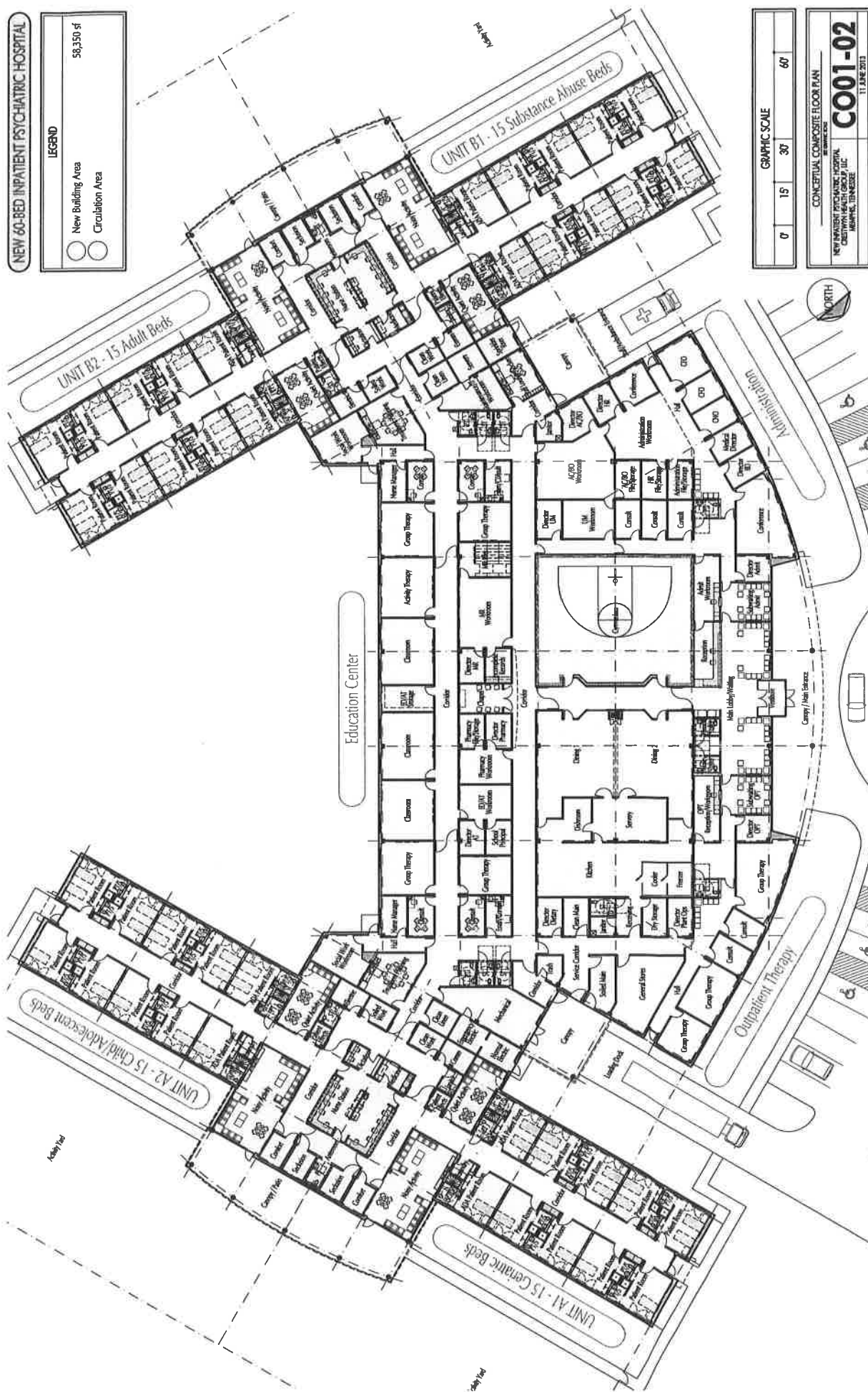
GRAPHIC SCALE

0 15 30 60'

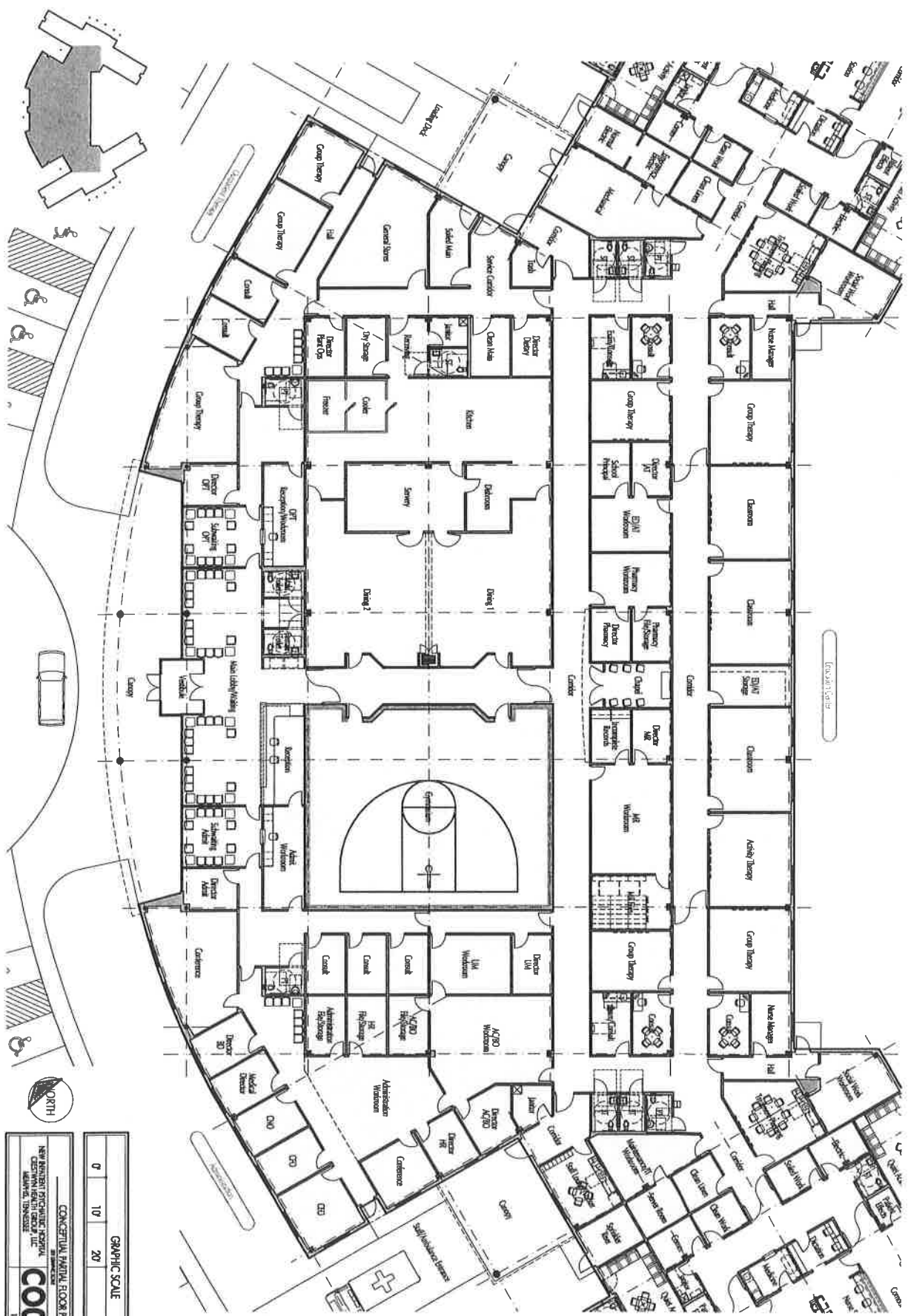
CONCEPTUAL COMPOSITE FLOOR PLAN

CO01-02

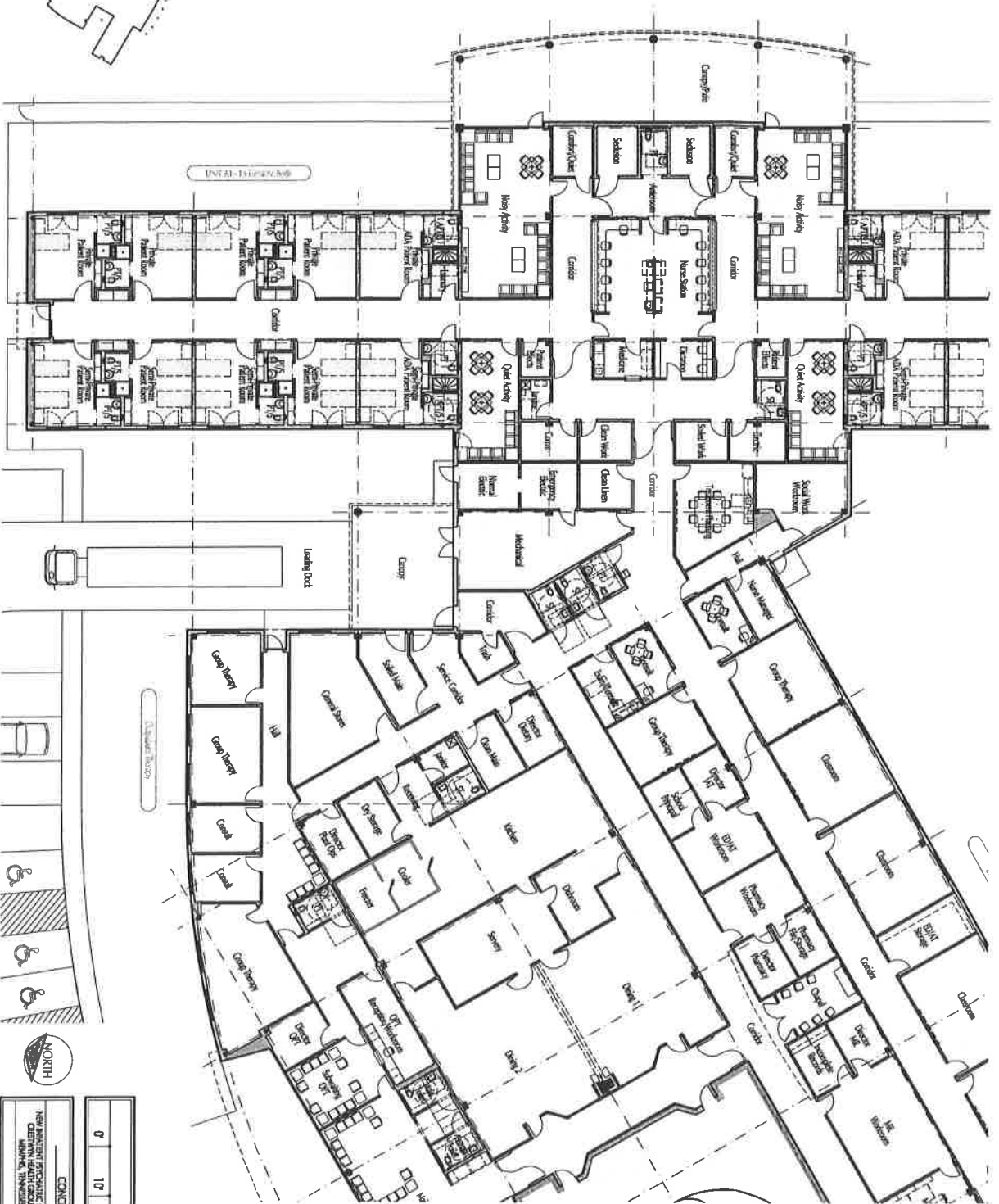
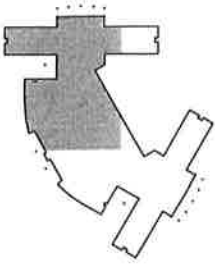
11 JUNE 2013









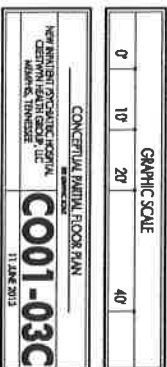


GRAPHIC SCALE				
0	10'	20	40	

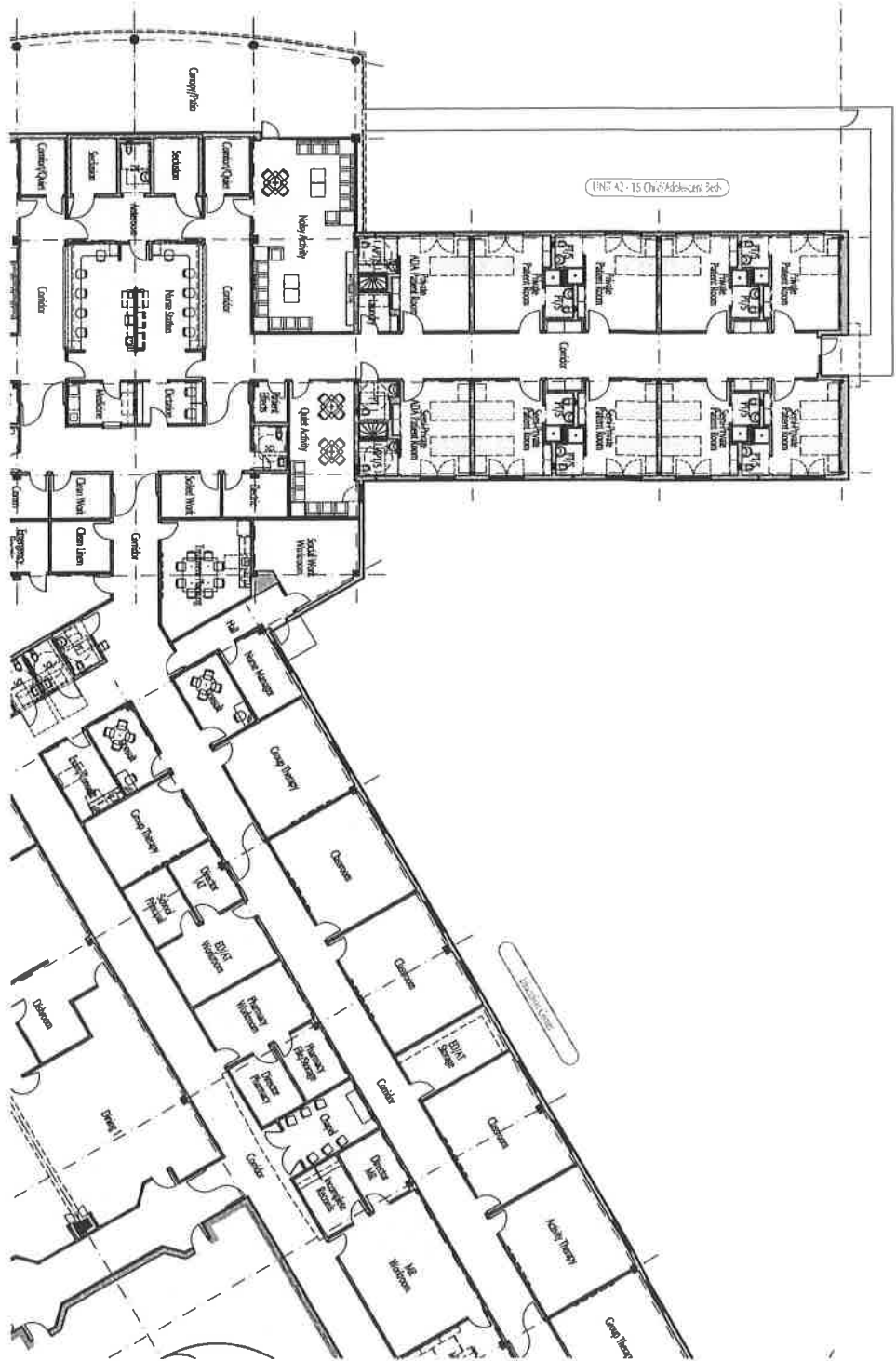
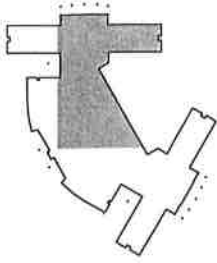
NEW BUILDING PROJECT: NEW YORK  
 DESIGN: NEW YORK, LLC  
 ARCHITECT: NEW YORK, LLC  
 11 JUNE 2013

**CO01-03B**



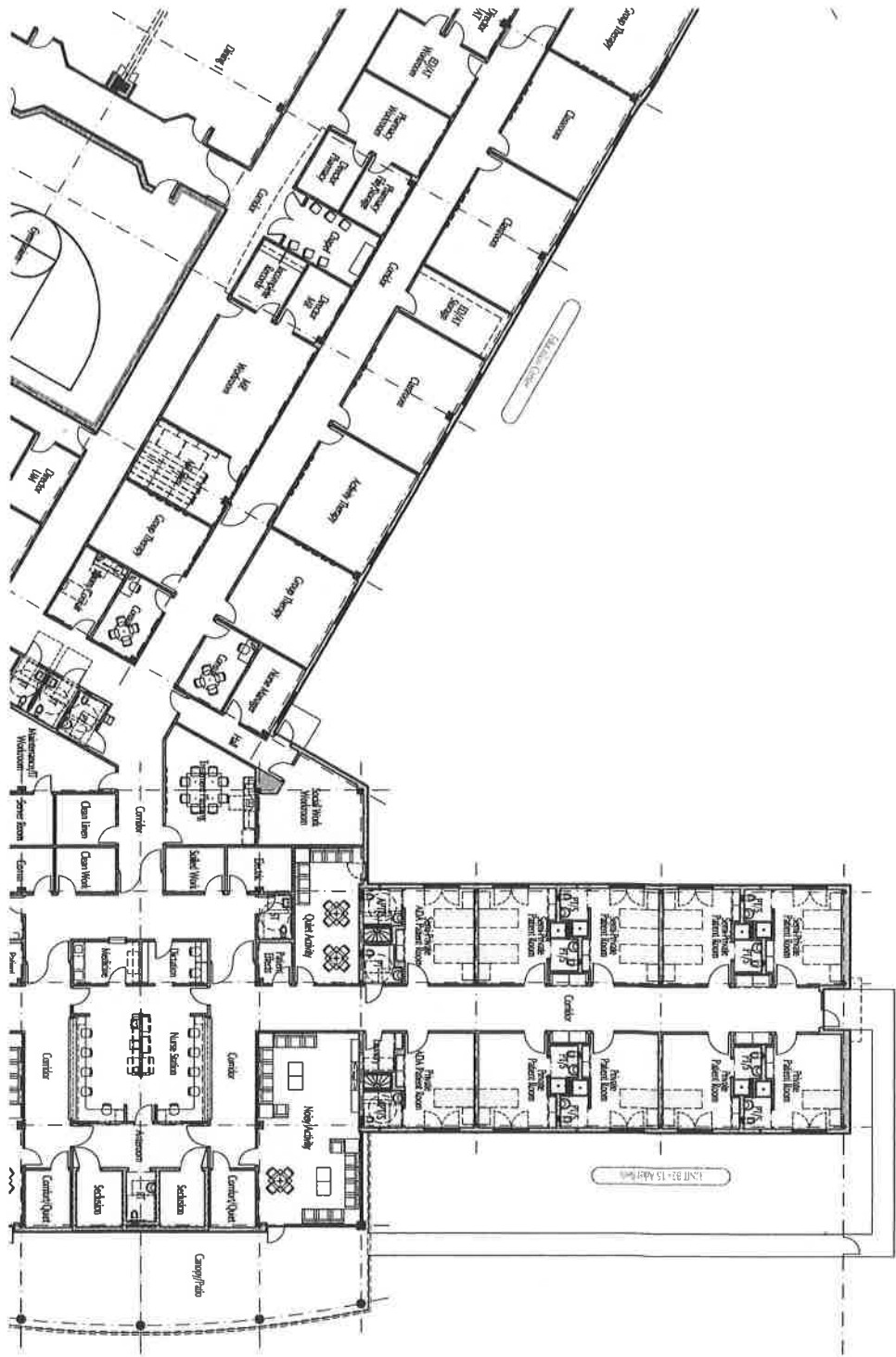
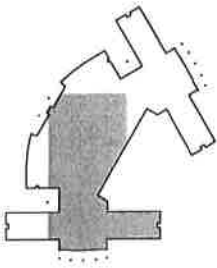






GRAPHIC SCALE			
0	10'	20'	40'
CONCEPTUAL PARTIAL FLOOR PLAN			
NEW HAVEN HOSPITAL			
DESIGNED BY: [Firm Name]			
DRAWN BY: [Firm Name]			
11 JAN 2012			
<b>CO01-03D</b>			





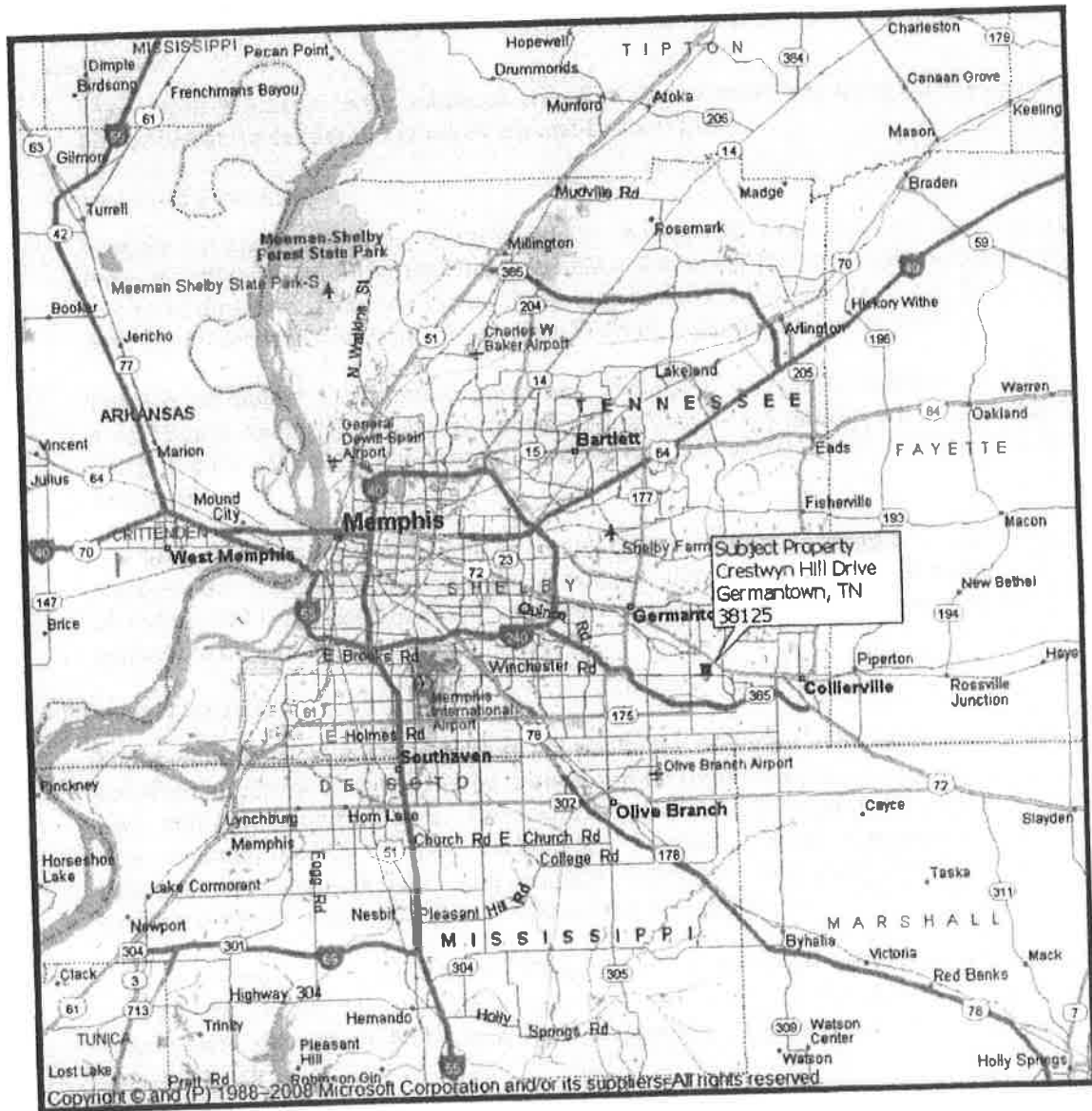
GRAPHIC SCALE				
0	10	20	40	
CONCEPTUAL FLOOR PLAN				
NEW NATION PHYSICIAN HOSPITAL				
DESIGNED BY: CDM				
CONSTRUCTION: CDM				
11 JAN 2013				
<b>CO01-03E</b>				



**C, Need--3**  
**Service Area Maps**



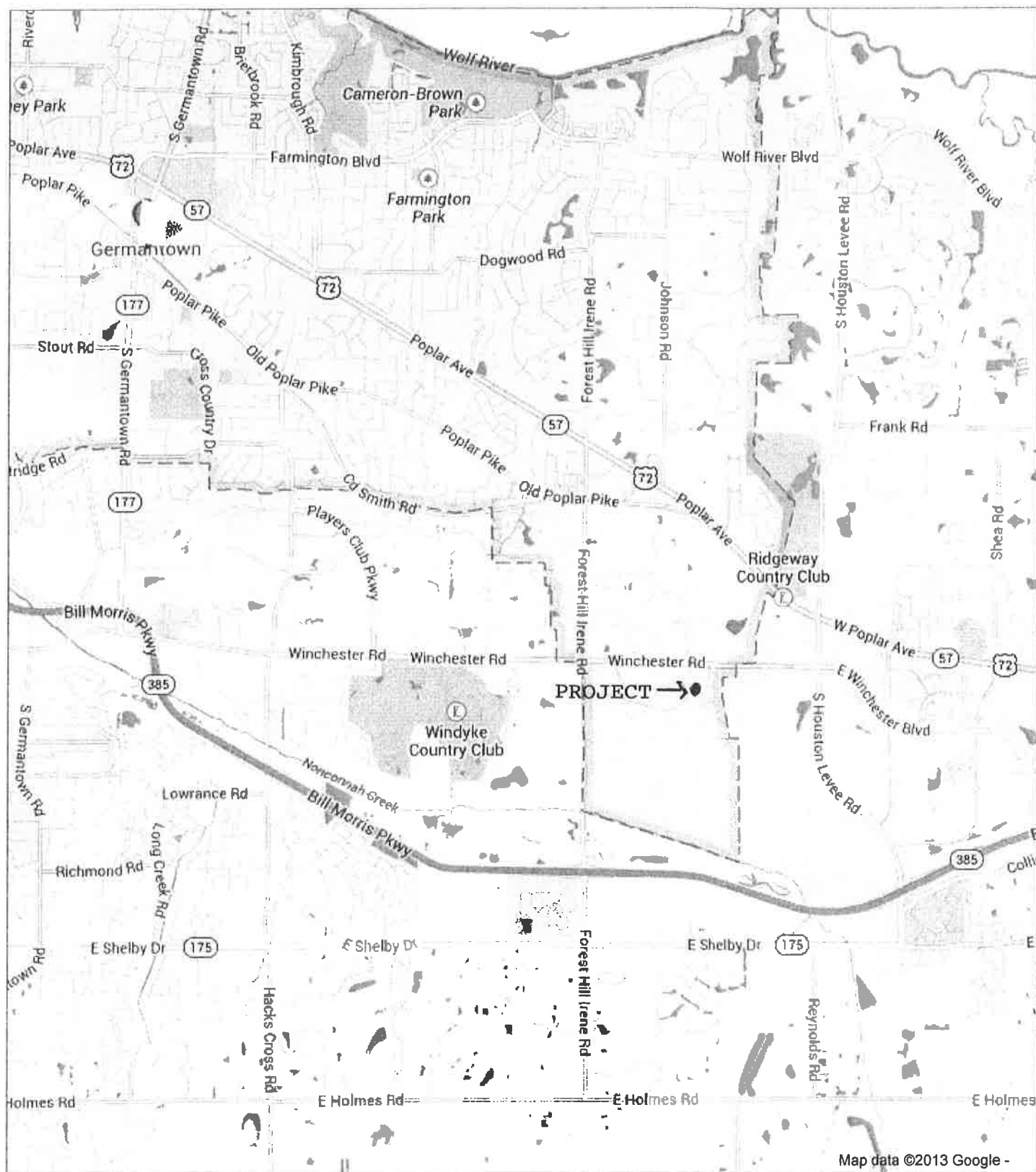
OCT 15 '13 PM 3:32





Google

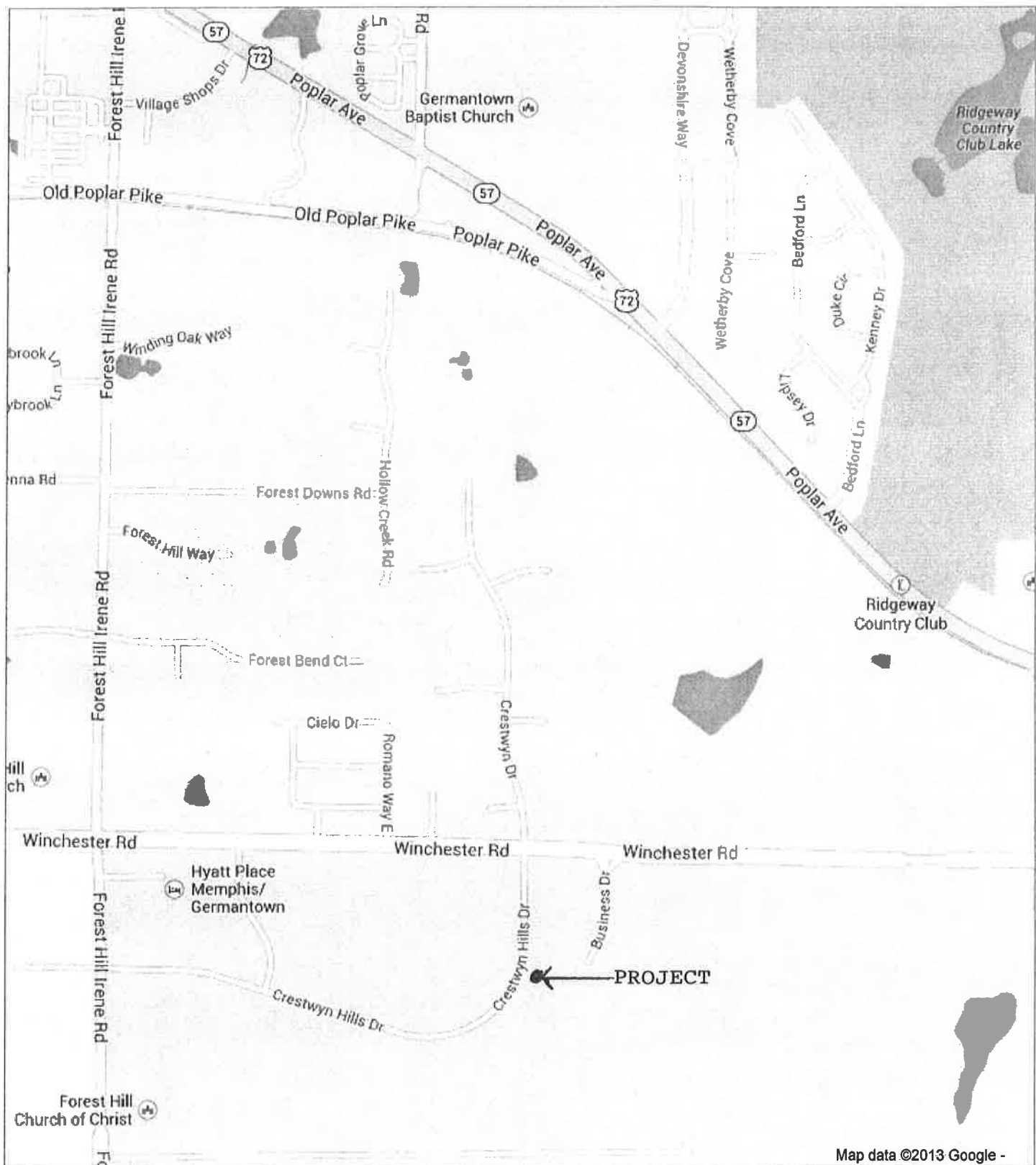
To see all the details that are visible on the screen, use the "Print" link next to the map.





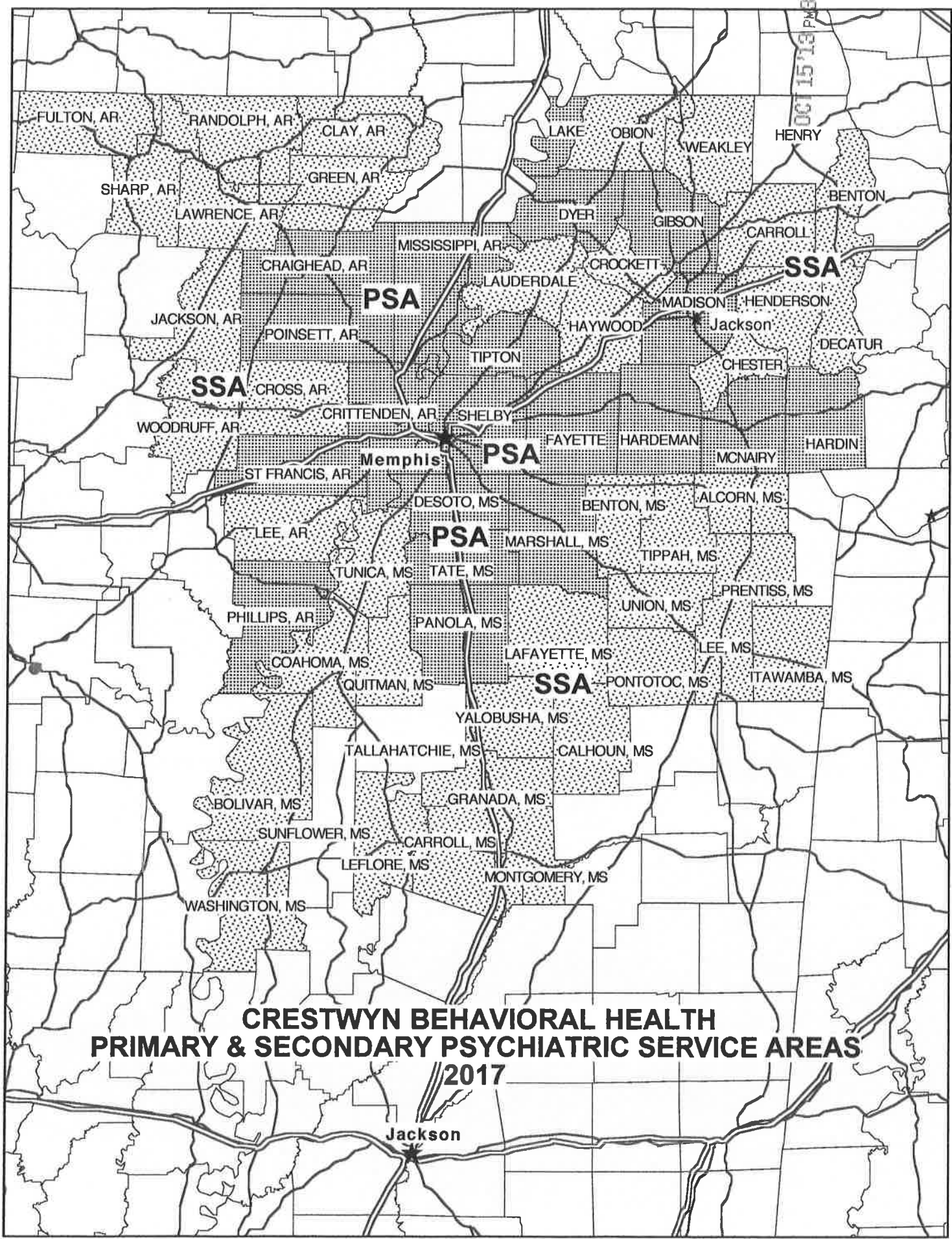
Google

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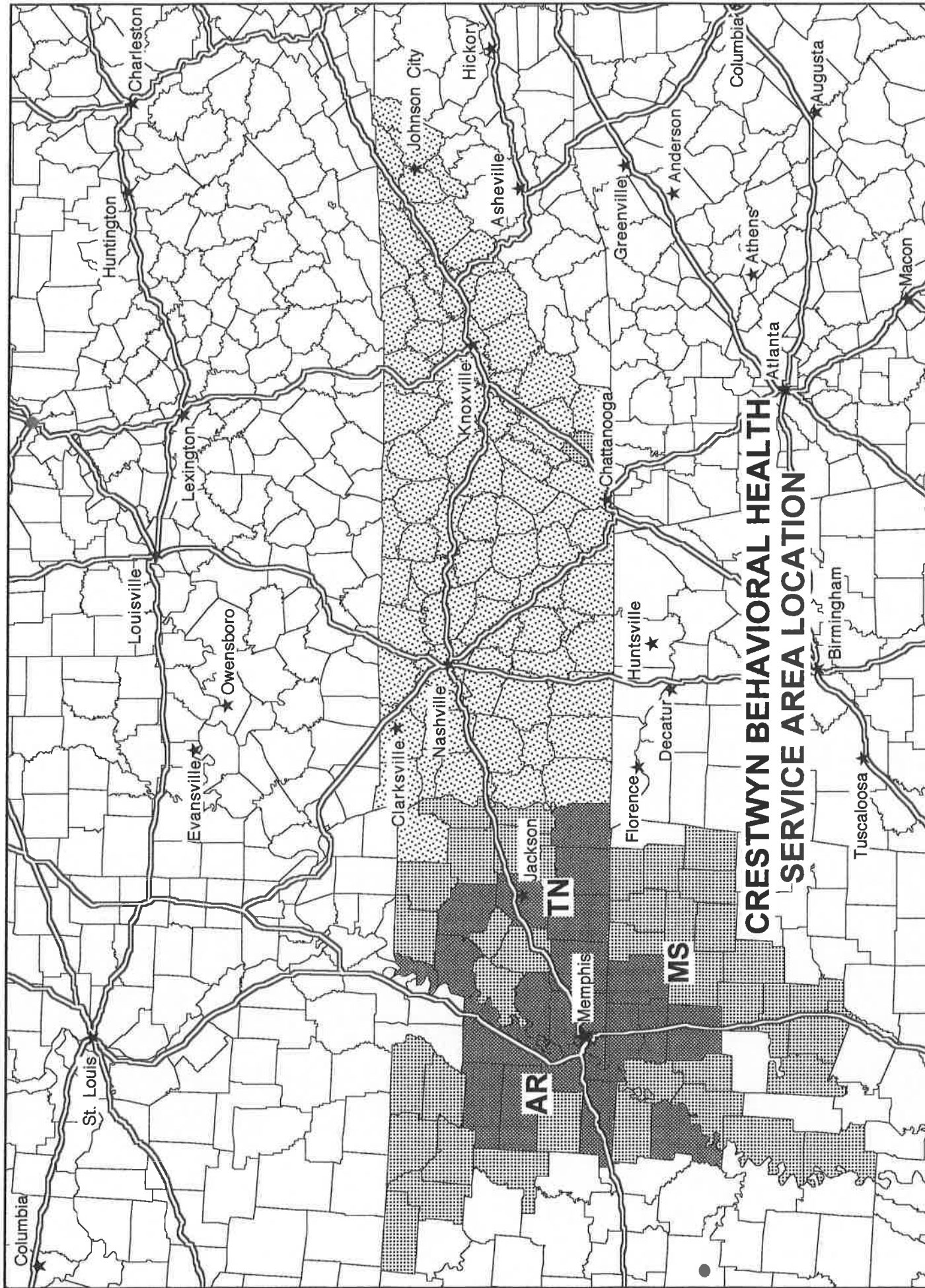
001 15' 13" PM 8:32



**CRESTWYN BEHAVIORAL HEALTH  
PRIMARY & SECONDARY PSYCHIATRIC SERVICE AREAS  
2017**

Jackson





# CRESTWYN BEHAVIORAL HEALTH SERVICE AREA LOCATION



**C, Economic Feasibility--1**  
**Documentation of Construction Cost Estimate**



**Melanie M. Hill**  
**Executive Director**  
**Tennessee Health Services and Development Agency**  
500 Deaderick Street, 9<sup>th</sup> Floor  
Nashville, TN 37243

**RE: New Inpatient Psychiatric Hospital**  
**Crestwyn Health Group, LLC**  
**Memphis, Tennessee**

02 October 2013

Ms. Hill,

Per our recent conversation with John Wellborn, an attorney working with Crestwyn Health Group, LLC on a Certificate of Need submission, we have prepared the following supporting documentation for your review.

I have reviewed the construction cost estimate provided by Crestwyn Health Group, LLC in the CON Submission. Based on my experience and knowledge of the current healthcare market, it is my opinion that the projected cost of \$14,262,500 appears to be reasonable for a project of this type and size.

Additionally, please note that the Project will be designed in compliance with all applicable State and Federal Codes and Regulations, including the following:

- Guidelines for the Design and Construction of Health Care Facilities
- Rules of the Tennessee Department of Health Board for Licensing Health Care Facilities
- International Building Code
- National electrical Code
- National Fire Protection Association (NFPA)
- Americans with Disabilities Act (ADA)

If you have any questions or comments regarding this information, please do not hesitate to contact our office at your convenience.

Thank you.



Bradford P. Stengel, AIA  
Architect  
Tennessee Professional Architect License #00102523



**C, Economic Feasibility--2**  
**Documentation of Availability of Funding**





Direct Phone: 615-861-7307  
Email: [david.duckworth@acadiahealthcare.com](mailto:david.duckworth@acadiahealthcare.com)

October 9, 2013

Melanie Hill, Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, Third Floor  
161 Rosa Parks Boulevard  
Nashville, Tennessee 37203

**RE:    Financing Commitment  
         Crestwyn Behavioral Health, Shelby County**

Dear Mrs. Hill:

Crestwyn Health Group, LLC, whose ultimate parent company is Acadia Healthcare Company, Inc., is applying for a Certificate of Need to establish Crestwyn Behavioral Health, a new psychiatric and substance abuse hospital in the Germantown area of Shelby County.

This letter is to confirm that Acadia Healthcare will provide the approximately \$25,000,000 in funding required to implement that project. Acadia intends to finance the transaction with cash on hand and borrowings from its existing revolving credit facility. Acadia's most recent audited financial statements are provided in the application.

Sincerely,

A handwritten signature in dark ink, appearing to read "D. Duckworth".

David Duckworth  
CFO

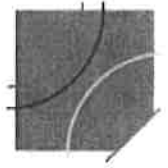


## **Miscellaneous Information**



August 28, 2013

William Patterson  
Delta Medical Center  
3000 Getwell Road  
Memphis, TN 38118



Re: Acadia - Delta Medical Center - Additions and Renovations (13570.00) -  
CON Justification Study (05)  
Subject: Feasibility of Additional Beds on Getwell Road Campus

Dear William,

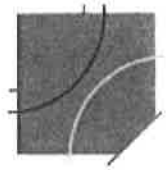
We understand that Acadia Healthcare is contemplating the development of additional behavioral health beds to address patient needs in the market. In order to evaluate this potential further, we were asked to explore the potential for added behavioral services at Delta Medical Center on 3000 Getwell Road in Memphis, Tennessee. The potential for growth was explored through three options:

- Option 1 - Expand within vacant or under-utilized support space
- Option 2 - Expand within an existing medical or surgical unit / floor
- Option 3 - Expand on the property with an addition

Each of these options was explored in detail and a summary of our findings is provided below:

- Option 1 - Expand within vacant or under-utilized support space
  1. See enclosed preliminary design labeled Exist 1, EX-1A, Exist 2, and EX-1B.
  2. We explored the ability to add at least 30 beds to the existing 89 bed complement.
  3. The existing unit design was predicated on regulations that are now outdated.
  4. "Touching" the existing unit and adding bed capacity will require Acadia to ensure Tennessee Department of Health (TDH) compliance throughout the four existing Units. TDH utilizes the FGI 2010 Guidelines For Design and Construction of Health Care Facilities to review all new work.
  5. Activity spaces, consultation spaces, seclusion treatment spaces are currently under the required per bed ratios governed by the FGI.
  6. The existing space is not a shape that is complimentary to renovation of a psychiatric unit.
  7. The existing space was constructed in 1971 therefore all the infrastructure systems are outdated, not easily expandable, and would need to comply with current regulations. For example, HVAC exhaust is inadequate and HVAC does not meet filtration requirements.
  8. In the end the expansion only yielded 9 beds with 37,082 SF of renovation, resulting in approximately \$6.5 million of cost.





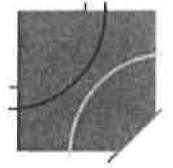
- Option 2 - Expand within an existing medical or surgical unit / floor
  1. See enclosed preliminary design study labeled Exist 3 and EX-2.
  2. If 30 beds were to be added in the renovation, because each floor of the existing 1982 bed tower houses private rooms, an entire floor would be need to accommodate a new behavioral unit.
  3. The entire unit would need to be retrofitted with patient safety upgrades such as anti - ligature toilets, showers, door hardware, etc. In addition all of the FGI required spaces would need to be renovated into the support space areas.
  4. If a floor is utilized for the added beds this would reduce the med-surg bed compliment to 87 beds and therefore remove the hospital's capability of receiving their current DSH funding. The hospital's DSH reimbursement is based on keeping 100 medical-surgical beds operational.
  
- Option 3 - Expand on the property with an Addition
  1. See enclosed preliminary design study labeled EX-3
  2. Although there is room on the property for an expansion in the form of a new unit, the placement of the new unit on the site creates operational inefficiencies.
  3. The only location viable for an expansion on the property would be the East side in the vacant area.
  4. No practical connection could be made to the existing admitting / intake area because the connection between expansion and the existing units would be blocked by a critical service drive.
  5. This service drive is the primary delivery route for all the hospital supplies.
  6. The only connection that could be made would be a bridge corridor, the cost of which would make the bed addition not viable.

After evaluating the options for growth on the Getwell Road Campus, the team determined that none of these options presented a good solution for future development and service to the area.

Sincerely,



August 28, 2013  
Feasibility of Additional Beds on Getwell Road Campus  
Page 3



David J. Brown Architect AIA

List of Enclosures:

1. Con Exhibits - 8-29-2013.pdf

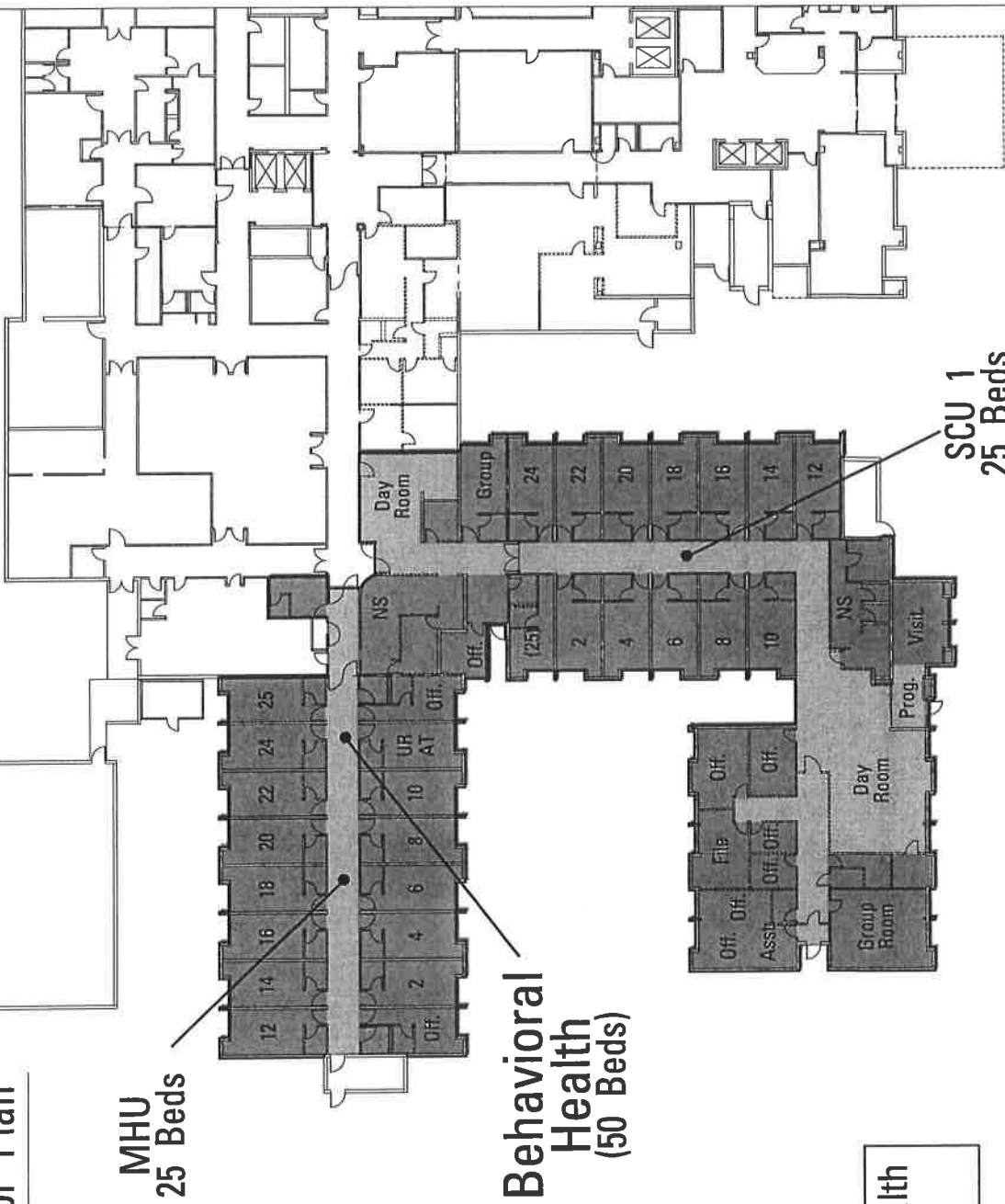
cc:

John Wellborn - DSG  
Scott Schwieger - AH



# Existing Conditions - First Floor Plan

Not to Scale



First Floor Existing Behavioral Health Unit has 50 beds.



JICA Johnson Johnson  
Caldwell Architects P.C.  
450 Tenthredine Drive  
Northvale, NJ 07648  
Tel: 201.261.0000  
Fax: 201.261.0001



Delta Medical Center  
Memphis, Tennessee

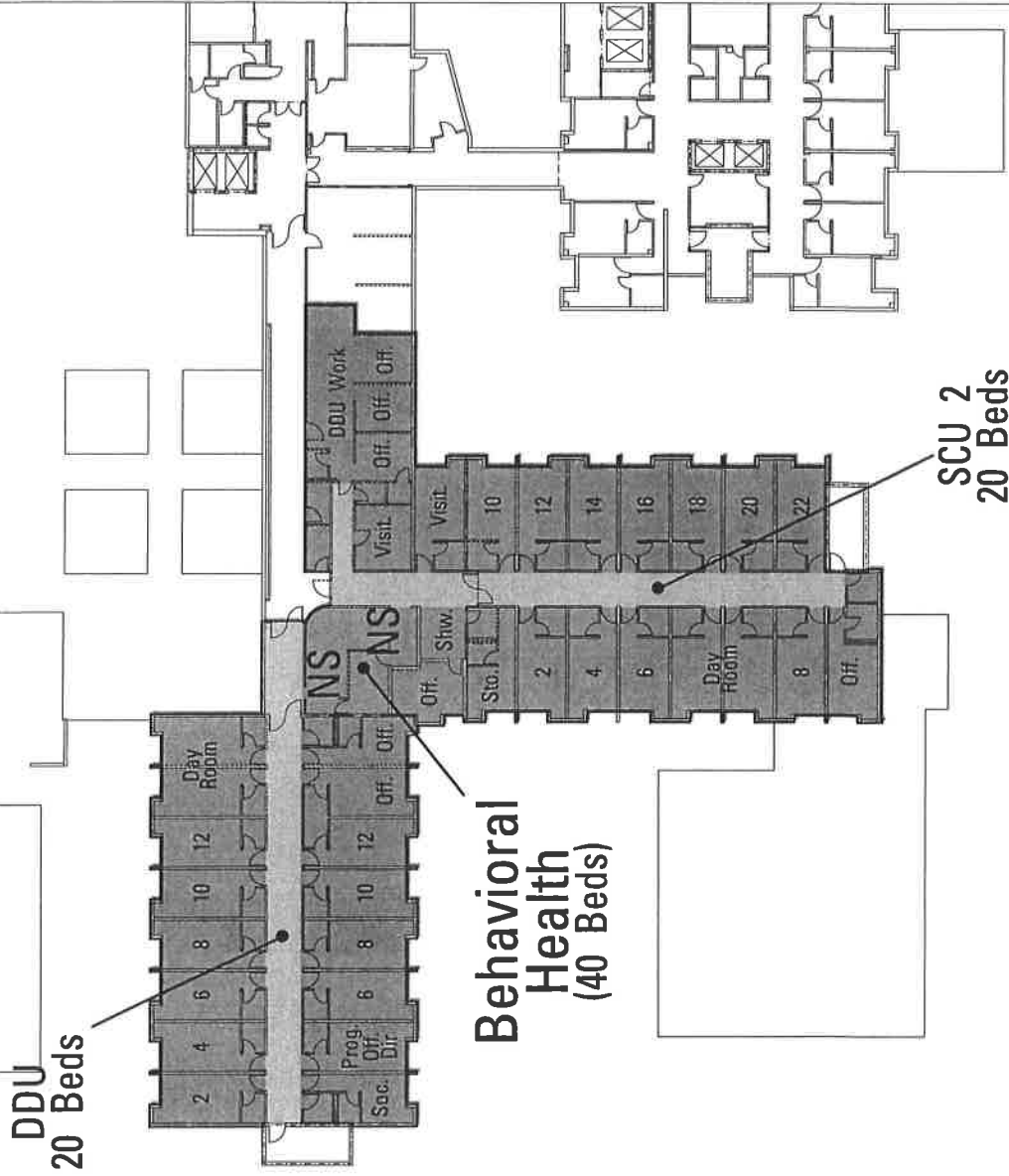
PROJECT NUMBER  
13570.00  
REVISED  
August 2013

EXIST1  
First Floor Plan  
Existing Conditions

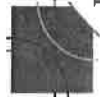


# Existing Conditions - Second Floor Plan

Not to Scale



Second Floor Existing Behavioral Health Unit has 40 beds.



JJCA

Johnson Johnson  
Crabtree Architects P.C.

4001 Tennessee Zipline  
Memphis, TN 37204  
Tel: 901.527.0000  
Fax: 901.527.0001

ACADIA  
HEALTHCARE

Delta Medical Center  
Memphis, Tennessee

PROJECT NUMBER  
13570.00  
DATE  
August 2013

EXIST2  
Second Floor Plan  
Existing Conditions



**Not to Scale**

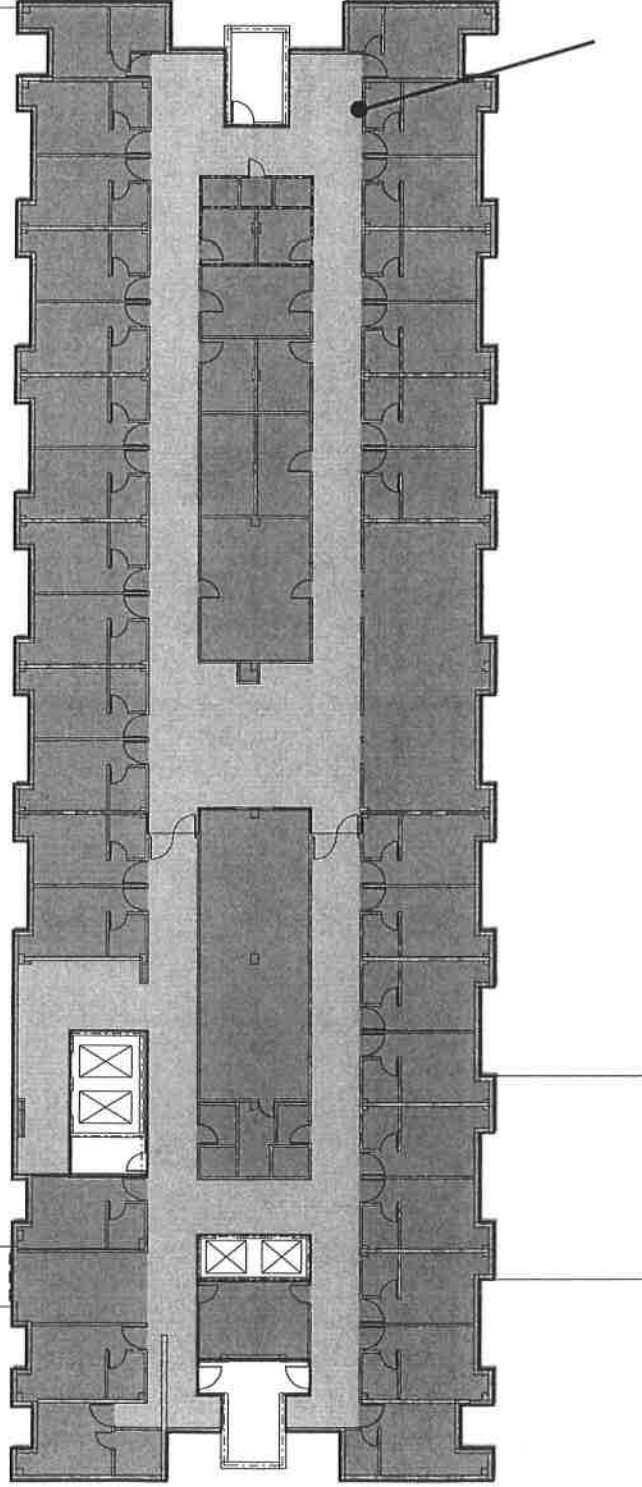


Existing Behavioral Health Unit has 49 beds. After renovating vacant or under-utilized support space in the shaded areas (21,751 SF) yields a unit with a maximum of 52 beds, only 3 additional beds.

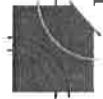


# Existing Conditions - Third Floor Plan

Not to Scale



Medical/Surgical  
117 Beds (on 3 Floors)



JJCA  
Johnson Johnson  
Cabrera Architects P.C.  
1001 Tennessee Drive  
Memphis, TN 38104  
Tel: 901.527.0000  
Fax: 901.527.0000

ACADIA  
HEALTHCARE

Delta Medical Center  
Memphis, Tennessee

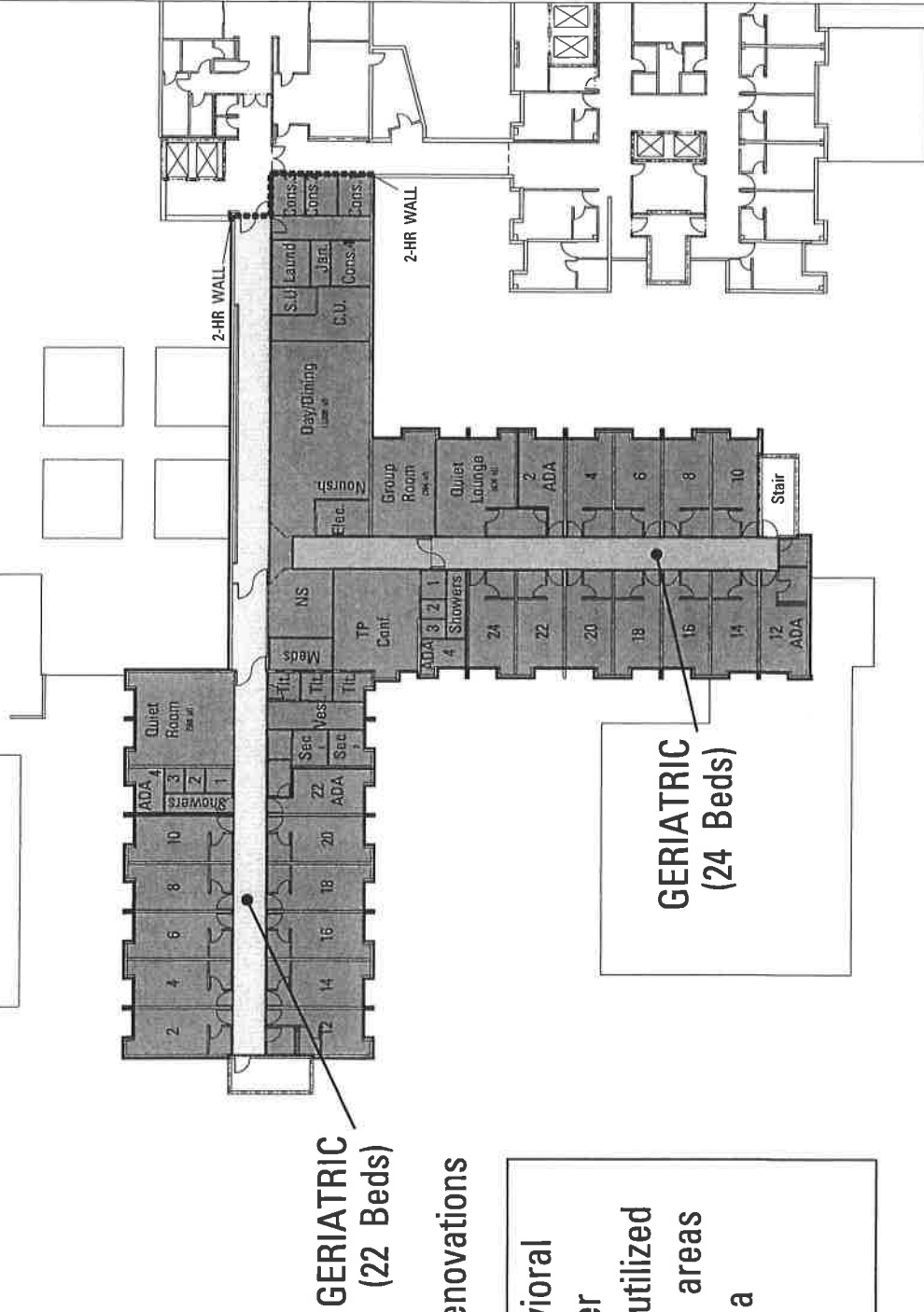
PROJECT NUMBER  
13570.00  
DATE  
August 2013

EXIST3  
Third Floor Plan  
Existing Conditions



# Proposed Renovations - Second Floor Plan

Not to Scale

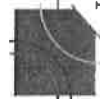


GERIATRIC  
(22 Beds)

GERIATRIC  
(24 Beds)

Areas of Proposed Renovations

Existing Second Floor Behavioral Health Unit has 40 beds. After renovating vacant or under-utilized support space in the shaded areas (15,331 SF) yields a unit with a maximum of 46 beds, only 6 additional beds.



JJCA Johnson Johnson  
Cabree Architects s.c.  
4531 Tennessee Drive  
Memphis, TN 37204  
Tel: 901.527.8965  
Fax: 901.527.8807

ACADIA  
HEALTH CARE

Delta Medical Center  
Memphis, Tennessee

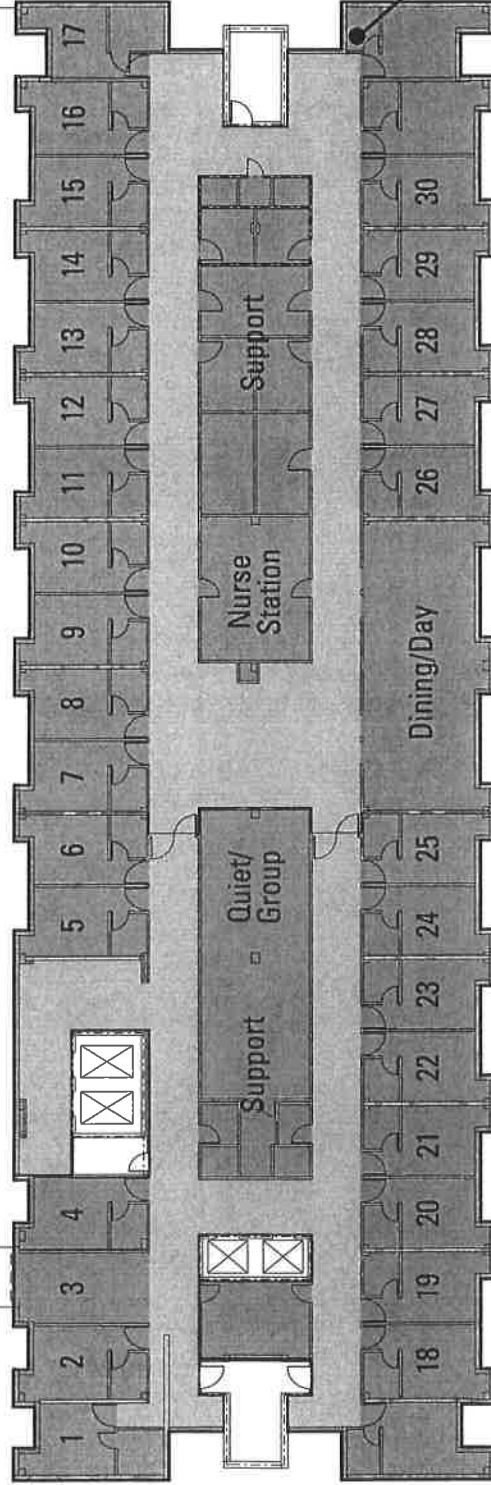
PROJECT NUMBER  
13570.00  
DATE  
August 2013

EX-1B  
Second Floor Plan  
Exhibit 1B



# Proposed Renovation - Third Floor Plan

Not to Scale



MHU or DDU  
30 Beds

Areas of Proposed Renovations

Renovating 30 patient room beds for a Behavioral Health Unit would leave the hospital with only 87 patient beds. This would fall below the 100 beds required by the DSH program.



JICA Johnson Johnson  
Cabot Architects P.C.

400 Nashville Drive  
Nashville, TN 37204  
Tel: 615.832.8888  
Fax: 615.832.8887

ACADIA  
HEALTH CARE

Delta Medical Center  
Memphis, Tennessee

PROJECT NUMBER  
13570.00  
DATE  
August 2013

EX-2  
Third Floor Plan  
Exhibit 2



# Proposed Addition - Site Plan

Not to Scale

Proposed  
48 Bed  
Behavioral Health  
Addition  
1 STORY

SERVICE DRIVE

Existing Hospital

4 STORIES

Kenosha Rd

Memphis Diet Clinic

JICA

Johnson Johnson  
Crabtree Architects P.C.

433 Tennessee Drive  
Memphis, TN 37504  
Tel: 901.877.0888  
Fax: 901.877.0887

ACADIA  
HEALTHCARE

Delta Medical Center  
Memphis, Tennessee

PROJECT NUMBER  
13570.00  
DATE  
August 2013

EX-3  
Site Plan  
Exhibit 3



# Midmonth Report for June 2013

- \* This report is a count of people taken in the middle of the month for which the report was run.
- \* This report is run three months after the month of the report in an effort to reduce fluctuations in the results.

MCO	REGION	Total
Awaiting MCO assignment		313
AMERIGROUP COMMUNITY CARE	Middle Tennessee	197,148
BLUECARE	East Tennessee	211,891
BLUECARE	West Tennessee	176,391
TENNCARE SELECT	All	45,436
UnitedHealthcare Community Plan	East Tennessee	194,219
	Middle Tennessee	196,289
	West Tennessee	173,210
Grand Total		1,194,908

COUNTY	Female			Male			Grand Total
	0 - 18	19 - 20	21 - 64	65 ->	0 - 18	19 - 20	
ANDERSON	3,753	285	3,237	604	7,879	204	13,860
BEDFORD	3,319	228	2,219	265	6,031	132	10,670
BENTON	915	87	800	148	1,951	42	3,513
BLEDSE	714	58	622	128	1,522	44	2,804
BLOUNT	5,206	410	4,392	662	10,671	297	18,531
BRADLEY	4,909	409	4,344	636	10,298	248	18,016
CAMPBELL	2,697	244	3,057	663	6,659	185	11,693
CANNON	678	49	633	124	1,484	35	2,618
CARROLL	1,660	161	1,589	324	3,734	118	6,664
CARTER	2,927	225	2,675	701	6,429	168	11,285
CHEATHAM	1,768	136	1,368	183	3,455	110	6,113
CHESTER	927	85	800	150	1,962	67	3,390
CLAIBORNE	1,811	161	1,872	538	4,381	118	7,822
CLAY	495	36	403	103	1,037	29	1,901
COCKE	2,567	216	2,351	452	5,585	158	9,917
COFFEE	3,119	216	2,696	387	6,419	140	11,097
CROCKETT	984	72	716	211	1,984	51	3,408
CUMBERLAND	2,808	214	2,282	505	5,808	157	10,349
DAVIDSON	36,155	2,382	27,120	3,180	68,837	1,759	119,406
DECATUR	575	62	526	195	1,358	34	2,430
DEKALB	1,185	69	1,002	191	2,446	60	4,385
DICKSON	2,509	154	2,132	308	5,103	118	8,855
DYER	2,537	240	2,235	430	5,442	164	9,296
FAYETTE	1,536	128	1,169	296	3,128	88	5,576
FENTRESS	1,257	122	1,239	379	2,997	136	5,438
FRANKLIN	1,711	158	1,483	266	3,619	108	6,304
GIBSON	2,908	248	2,652	624	6,431	206	11,141
GILES	1,427	124	1,240	248	3,039	94	5,253
GRAINGER	1,298	101	1,103	286	2,789	74	4,992
GREENE	3,192	234	3,063	727	7,217	163	12,708
GRUNDY	1,067	105	1,055	224	2,451	74	4,423
HAMBLETON	4,003	245	2,746	534	7,527	148	13,173

06/15/13 4:03:59



COUNTY	Female						Female Total	Male			Male Total	Grand Total							
	0-18		19-20		21-64			65->		0-18			19-20		21-64		65->		
HAMILTON	15,250	1,150	13,259	2,231			31,889	15,921	779	5,275	857	22,833	54,722						
HANCOCK	477	49	520	164			1,210	543	43	301	79	966	2,177						
HARDEMAN	1,614	135	1,488	338			3,575	1,592	91	741	160	2,584	6,159						
HARDIN	1,597	135	1,481	387			3,600	1,616	110	808	195	2,729	6,329						
HAWKINS	3,005	270	2,799	558			6,632	3,163	169	1,414	253	4,999	11,631						
HAYWOOD	1,419	129	1,341	295			3,184	1,485	97	436	109	2,127	5,312						
HENDERSON	1,627	131	1,462	274			3,494	1,678	84	639	95	2,496	5,990						
HENRY	1,905	156	1,604	282			3,945	1,997	126	748	119	2,990	6,936						
HICKMAN	1,378	134	1,221	186			2,919	1,485	108	655	82	2,329	5,248						
HOUSTON	421	28	377	112			938	486	24	202	69	761	1,699						
HUMPHREYS	939	90	802	163			1,994	1,011	40	391	68	1,511	3,504						
JACKSON	625	44	601	148			1,418	653	29	346	93	1,120	2,538						
JEFFERSON	2,751	198	2,139	500			5,588	2,888	123	1,101	200	4,311	9,899						
JOHNSON	933	88	857	293			2,172	961	51	556	157	1,724	3,896						
KNOX	17,314	1,245	15,445	2,371			35,375	18,064	845	6,604	982	26,495	62,870						
LAKE	416	44	515	155			1,130	515	35	218	70	838	1,968						
LAUDERDALE	1,899	149	1,741	310			4,099	1,939	117	701	121	2,877	6,976						
LAWRENCE	2,262	189	1,910	420			4,781	2,500	144	899	170	3,713	8,494						
LEWIS	696	62	571	122			1,452	736	53	261	55	1,106	2,558						
LINCOLN	1,710	158	1,358	300			3,526	1,836	106	686	115	2,743	6,269						
LOUDON	1,301	130	1,480	279			3,966	2,116	100	682	117	3,015	6,981						
MACON	1,621	127	1,303	252			3,303	1,706	83	683	114	2,586	5,890						
MADISON	5,890	487	5,374	830			12,580	5,885	325	1,854	329	8,393	20,973						
MARION	1,635	158	1,573	250			3,616	1,659	102	664	135	2,560	6,176						
MARSHALL	1,613	121	1,266	167			3,166	1,667	78	542	70	2,357	5,522						
MAURY	4,118	286	3,390	570			8,364	4,459	214	1,322	186	6,180	14,544						
MCMINN	2,789	226	2,443	522			5,979	2,908	142	1,122	220	4,392	10,371						
MCMINRY	1,673	158	1,624	389			3,844	1,733	120	898	193	2,944	6,788						
MEIGS	705	52	593	88			1,439	711	51	323	47	1,132	2,570						
MONROE	2,519	213	2,217	506			5,455	2,795	132	1,167	262	4,355	9,810						
MONTGOMERY	6,916	546	5,648	850			13,759	7,126	300	1,806	207	9,439	23,198						
MOORE	216	23	149	44			433	268	10	88	18	385	818						
MORGAN	1,158	82	909	187			2,337	1,194	62	521	110	1,886	4,223						
OBION	1,739	135	1,601	294			3,770	1,864	79	615	111	2,669	6,439						
OVERTON	1,131	84	956	271			2,441	1,219	72	540	145	1,976	4,417						
PERRY	503	35	378	86			1,002	526	29	229	45	830	1,832						
PICKETT	222	18	199	87			526	279	9	127	43	458	984						
POLK	888	54	831	155			1,928	977	59	445	69	1,550	3,478						
POTNAM	3,721	359	3,181	763			8,024	3,904	212	1,686	316	6,118	14,142						
RHEA	2,220	162	1,776	323			4,482	2,242	121	846	129	3,338	7,820						
ROANE	2,344	205	2,337	530			5,416	2,633	129	1,279	224	4,265	9,681						
ROBERTSON	3,390	190	2,279	364			6,223	3,575	140	893	157	4,765	10,988						
RUTHERFORD	11,204	905	7,840	957			20,905	11,576	534	2,798	382	15,291	36,196						
SCOTT	1,777	146	1,688	403			4,013	1,833	117	932	191	3,073	7,086						
SEQUESTACHE	905	75	765	150			1,896	925	49	424	58	1,456	3,357						
SEVIER	4,607	349	3,078	455			8,489	4,989	175	1,257	168	6,590	15,079						
SHELBY	68,178	5,830	55,109	6,591			135,708	69,837	4,127	16,144	2,477	92,585	228,293						
SMITH	1,020	70	868	175			2,133	1,015	52	410	63	1,540	3,673						
STEWART	647	45	621	114			1,427	696	29	296	56	1,076	2,504						



COUNTY	Female				Male				Grand Total
	0-18	19-20	21-64	65->	0-18	19-20	21-64	65->	
SULLIVAN	6,985	578	6,646	1,343	7,419	408	3,349	586	27,313
SUMNER	6,635	525	5,272	794	7,009	372	2,018	310	22,935
TIPTON	3,400	292	2,641	359	3,555	205	942	152	11,545
TROUSDALE	490	26	392	84	443	35	197	36	1,702
UNICOI	870	54	784	271	972	46	376	129	3,502
UNION	1,310	92	919	159	1,300	68	527	82	4,457
VAN BUREN	285	23	268	61	310	11	153	46	1,157
WARREN	2,533	180	2,099	431	2,630	137	1,036	185	9,232
WASHINGTON	4,875	414	4,777	970	5,100	271	2,229	396	19,033
WAYNE	734	55	628	173	793	40	329	71	2,823
WEAKLEY	1,661	214	1,475	321	1,717	114	715	108	6,326
WHITE	1,532	131	1,328	334	1,656	98	753	119	5,950
WILLIAMSON	2,550	161	1,689	343	2,686	111	686	118	8,343
WILSON	4,206	319	3,392	499	4,366	205	1,395	180	14,563
Grand Total	336,345	26,586	279,997	46,873	349,922	18,430	116,979	19,776	1,194,908



**Subject:** RE: Request for data  
**Date:** Monday, September 30, 2013 8:26 AM  
**From:** Erin H. Barham <Erin.Barham@medicaid.ms.gov>  
**To:** John Wellborn <jwdsg@comcast.net>

Hi John:

The Mississippi Division of Medicaid is not allowed to release enrollment numbers by county, however we can provide it for all zip codes that start with the same three digits (any for ~~ZIP~~ > 100,000 for)

Please visit the link below regarding applicable HIPAA de-identification:  
[http://privacy.med.miami.edu/glossary/xd\\_deidentified\\_health\\_info.htm](http://privacy.med.miami.edu/glossary/xd_deidentified_health_info.htm)

Let me know if you have other questions.

Thank you,  
Erin

Erin Barham  
Director of Communications  
Office of the Governor, Division of Medicaid  
550 High Street, Suite 1000 | Jackson, Mississippi 39201  
Phone (601) 359-5773  
Email [erin.barham@medicaid.ms.gov](mailto:erin.barham@medicaid.ms.gov)  
Website <http://www.medicaid.ms.gov>

-----Original Message-----

From: John Wellborn [mailto:[jwdsg@comcast.net](mailto:jwdsg@comcast.net)]  
Sent: Monday, September 30, 2013 8:19 AM  
To: [erinbarham@medicaid.ms.gov](mailto:erinbarham@medicaid.ms.gov); Erin H. Barham  
Subject: Request for data

Erin, where might I obtain the total Medicaid enrollment (for 2012 or 2013) for each of these four counties?

DeSoto  
Marshall  
Panola  
Tate

John Wellborn  
Development Support Group  
4219 Hillsboro Road, Suite 203 (Suite 210 as of Oct 1, 2013) Nashville, TN  
37215 Office 615-665-2022Er Mobile 615-438-6709  
Fax 615-665-2042  
email [jwdsg@comcast.net](mailto:jwdsg@comcast.net)



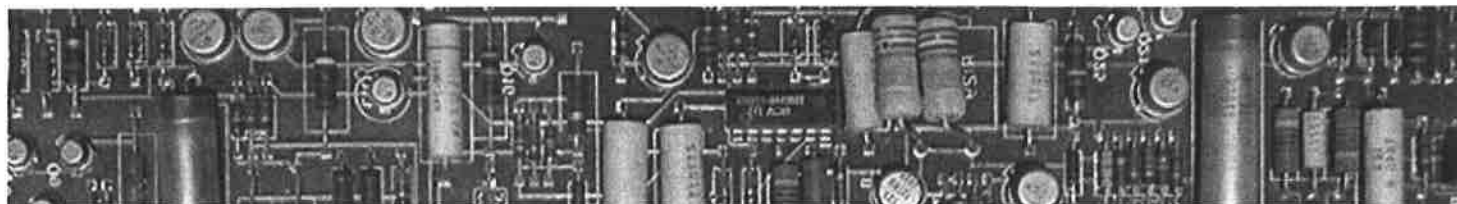
University of Miami • Miller School of Medicine

MS "LINK"  
IN 9-38-13

EMAIL FROM ERIN BARRHAM

Search

# Privacy / Data Protection Project



HOME	■
EDUCATION	■
ENCYCLOPEDIA	■
Full Index	■
HIPAA Only	■
FAQs FOR	■
WEB RESOURCES	■
ABOUT US	■

## de-identified health information (HIPAA)

Under HIPAA's Privacy Rule, there are two approaches to de-identify health information so that it is no longer protected health information (PHI).

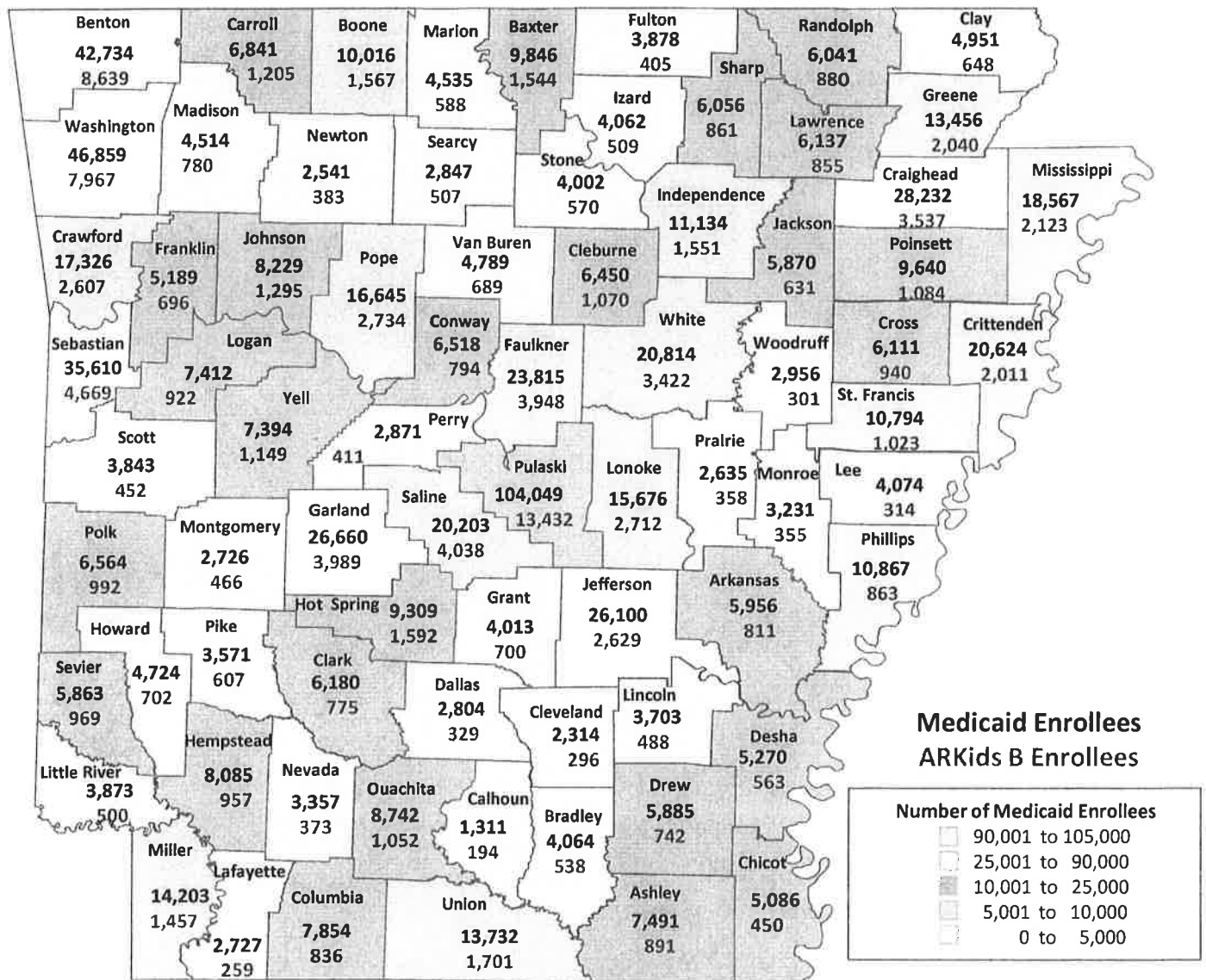
Protected health information under HIPAA is *individually identifiable* health information. *Identifiable* refers not only to data that is explicitly linked to a particular individual (that's *identified* information). It also includes health information with data items which reasonably could be expected to allow individual identification.

Potential identifiers include obvious ones like name and social security number, and also:

- all geographic subdivisions smaller than a state, including street address, city, county, precinct, zip code, and their equivalent geocodes, except for the initial three digits of a zip code if, according to the current publicly available data from the Bureau of the Census: the geographic unit formed by combining all zip codes with the same three initial digits contains more than 20,000 people; and [t]he initial three digits of a zip code for all such geographic units containing 20,000 or fewer people is changed to 000.
- all elements of dates (except year) for dates directly related to an individual, including birth date, admission date, discharge date, date of death; and all ages over 89 and all elements of dates (including year) indicative of such age, except that such ages and elements may be aggregated into a single category of age 90 or older;
- voice and fax telephone numbers;
- electronic mail addresses;
- medical record numbers, health plan beneficiary numbers, or other health plan account numbers;
- certificate/license numbers;
- vehicle identifiers and serial numbers, including license plate numbers;
- device identifiers and serial numbers;
- Internet Protocol (IP) address numbers and Universal Resource



## Map - Enrollees by County



Source: DHS, Division of Medical Services  
Medicaid Decision Support System

NOTE: These are individuals who have enrolled in the program, and may or may not have received services.



## **SUPPORT LETTERS**





**STATE OF TENNESSEE**  
**DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES**  
**MEMPHIS MENTAL HEALTH INSTITUTE**  
**951 Court Avenue**  
**MEMPHIS, TENNESSEE 38103-2813**  
Telephone (901) 577-1800 • Fax (901) 577-1434

10/3/2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health**

Dear Ms. Hill:

On behalf of the physicians and staff of Memphis Mental Health Institute ("MMHI"), I want to express our strong support for the certificate of need application referenced above.

MMHI is one of four state-owned and operated acute psychiatric hospitals in Tennessee and serves the Memphis and Shelby County community. Patients treated at MMHI are adults who often have chronic mental illnesses and virtually all of them are referred to MMHI on an involuntary basis because they are at risk of harm to themselves or others. Other MMHI patients are referred from the court for a pre-trial evaluation. MMHI provides individualized treatment planning for all of these patients and psychosocial rehabilitation designed to assist them in acquiring new skills for recovery and a better transition back into the community.

MMHI's mission is to provide in-patient adult psychiatric care primarily for individuals without insurance and without any other means of accessing needed services. We are pleased to support our community partners, such as Delta Medical Center and Crestwyn Behavioral Health and rely on them as a resource to serve individuals with insurance. MMHI is licensed to operate 111 beds, but the current staffed/operating capacity is 55. The addition of the Crestwyn Behavioral Health project to our service area will enhance and fulfill a need for high quality in-patient options in the Memphis-Shelby County community especially related to children and youth since there are high demands for those services.

MMHI, therefore, is pleased to give its full support to Crestwyn's certificate of need application, and I hope you will give it your favorable consideration. Please do not hesitate to contact me with any questions.

Sincerely,

Lisa A. Daniel  
Chief Executive Officer





STATE OF TENNESSEE  
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES  
WESTERN MENTAL HEALTH INSTITUTE

11100 OLD HIGHWAY 64 WEST

ROGER P. PURSLEY  
CHIEF EXECUTIVE OFFICER

BOLIVAR, TN 38008  
(731)-228-2000

RONALD BRUCE  
ADMINISTRATOR

October 11, 2013

Melanie Hill, Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

RE: Crestwyn Behavioral Health

Dear Ms. Hill:

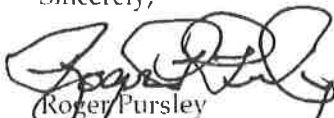
On behalf of the physicians and staff of Western Mental Health Institute ("WMHI"), I want to express our strong support for the certificate of need application referenced above.

WMHI is one of four state-owned and operated acute psychiatric hospitals in Tennessee. Located in Bolivar, WMHI serves adult patients in a 24-county area that includes the following counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Gibson, Fayette, Hardeman, Hardin, Haywood, Henderson, Henry, Lake, Lauderdale, Lawrence, Lewis, Madison, McNairy, Obion, Perry, Tipton Wayne and Weakley. As is true at the state's other mental health institutes, most of the patients referred to WMHI have acute mental illnesses or substance abuse problems that put them at risk for causing harm to themselves or others, and admissions mainly occur on an emergency involuntary basis. For many of the communities in WMHI's large service area, we offer the only in-patient psychiatric treatment option available.

The addition of the Crestwyn Behavioral Health project is much needed in our area of the state. Indeed, the demand for high-quality mental health services always exceeds the supply. The Crestwyn Behavioral Health project will improve access to high-quality mental health treatment options. And, working in close collaboration with its corporate affiliate - Delta Medical Center - the project will make it possible to treat patients who require medical or surgical care, as well. This sort of collaboration should be encouraged, and it contributes to the orderly development of healthcare in West Tennessee.

For all of these reasons, WMHI is proud to lend its enthusiastic support to the Crestwyn Behavioral Health project. Please do not hesitate to let me know if there is anything more that we can do in support of this innovative initiative.

Sincerely,

  
Roger Pursley  
Chief Executive Officer

RPP/ccm



October 8, 2013



Alliance Healthcare Services

Melanie Hill, Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3<sup>rd</sup> Floor  
161 Rosa Park Boulevard  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of Alliance Healthcare Services (AHS) dba SEMHC & CCN, please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves approval by your agency. Please give it every possible consideration.

AHS is a nonprofit organization that has served Shelby County for 35 years. We are the only county-wide mental health facility in West Tennessee, and we offer a full range of residential and outpatient services, including psychiatric services, alcohol and drug treatment services and family counseling services. Using our staff of psychiatrists, physicians, nurses, social workers, and other licensed professionals, Alliance Healthcare Services strives to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, AHS is the largest provider of mental healthcare services for children in Memphis.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment and even fewer – only 10% - receive adequate care. This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma of mental health and mental health services, lack of accessibility and, when services are available, poor quality. Many people are reluctant to go for help owing to the fear associated with mental disorders and a lack of trust in the quality and effectiveness of treatment and care offered by mental health services. The impressive project being proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

Again, we enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

Gene Lawrence  
Chief Executive Officer

2150 Whitney Avenue  
Memphis, TN 38127  
901.353.5440

2100 Whitney Avenue  
Memphis, TN 38127  
901.353.5440

2579 Douglas Avenue  
Memphis, TN 38114  
901.369.1480

3628 Summer Avenue  
Memphis, TN 38112  
901.369.1480

4088 Summer  
Memphis, TN 38122  
901.369.1480





**PROFESSIONAL CARE SERVICES**  
of West TN, Inc.  
1997 Hwy. 51 S., Covington, TN 38019  
(901) 476-8967

October 4, 2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of Professional Care Services ("PCS"), please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves approval by your agency. Please give it every possible consideration.

PCS is a nonprofit organization that has served the west Tennessee region for 33 years. We offer a full range of group home and out-patient services, including psychiatric services, alcohol and drug treatment services and family counseling services. We are one of the major crisis referral agencies in the state. Using our staff of psychiatrists, physicians, nurses, social workers, and counselors, PCS strives to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, PCS is a significant provider of mental healthcare services for children in west Tennessee.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment and even fewer – only 10% – receive adequate care. This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma of mental health and mental health services, lack of accessibility and, when services are available, poor quality. Many people are reluctant to go for help owing to the fear associated with mental disorders and a lack of trust in the quality and effectiveness of treatment and care offered by mental health services. The impressive project being proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

**HELPING HANDS IN OUR COMMUNITY**



Again, we enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Becky Hendrix". The signature is written in a cursive, flowing style.

Becky Hendrix  
Executive Director

12403700.1



# QUINCO

Mental Health Centers  
*Real Help. Real Close.*

October 3, 2013

Melanie Hill  
Executive Director  
Tennessee Health Services & Development Agency  
Frost Building, 3rd Floor  
161 Rosa Park Blvd.  
Nashville, TN 37243

**RE: Crestwyn Behavioral Health  
Certificate of Need Application No. CN1312-XXX**

Dear Ms. Hill:

On behalf of QUINCO Mental Health Center (QMHC), please allow me to add our strong support for Crestwyn Behavioral Health's pending application for a certificate of need. This exciting and much needed project will benefit Memphis and the surrounding area greatly, and it deserves strong consideration for approval by your agency. I trust and depend that you and others in your department will give careful, intuitive thought regarding the far reaching importance of this worthy project.

QUINCO is a nonprofit organization that has served the west Tennessee region for almost forty (40) years. We offer a full range of group home and out-patient services, including psychiatric services, alcohol and drug treatment services, group home services, and family counseling services. We are one of the major crisis referral agencies in the state. Using our staff of psychiatrists, psychologists, physicians, advance nurse practitioners, social workers, and Licensed Professional Counselors, QMHC personnel strive to meet the varied needs of our diverse community. Indeed, in addition to being one of the largest Medicare and TennCare providers in the region, QMHC is a significant provider of mental healthcare services for the children and adolescent population in west Tennessee.

The need for additional mental health resources is acute. In fact, in September 2013, the World Health Organization released data showing that only 50% of persons with mental health disorders receive any form of professional treatment.



This massive unmet need for treatment – the treatment gap – is the result of a combination of the stigma associated with mental health care, lack of accessibility, insufficient availability of integrative care, insufficient coverage for substance abuse/dependence treatment opportunities, and a shortage of Medicare qualified providers.

Many people are reluctant to seek help because of fear and misunderstanding about the treatment of mental disorders. These tendencies coupled with the lack of treatment providers and quality inpatient facilities leave a significant number of citizens in mental distress.

The impressive and forward thinking project proposed by Crestwyn Behavioral Health will help to close this treatment gap by making high-quality residential mental health services more widely available in our community.

Again, I enthusiastically endorse Crestwyn Behavioral Health's application for a certificate of need. Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Darvis Gallaher". The signature is fluid and cursive, with the first name "Darvis" and last name "Gallaher" clearly legible.

Darvis Gallaher, Ph.D.  
CEO/Executive Director  
Licensed Psychologist/HSP







OCT 15 '13 PM 3:33

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he/she is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

John Wellborn  
SIGNATURE/TITLE

Sworn to and subscribed before me this 15 day of OCTOBER, 2013 a Notary  
(Month) (Year)

Public in and for the County/State of DAVIDSON CO. TENNESSEE



[Signature]  
NOTARY PUBLIC

My commission expires 1-11, 2017.  
(Month/Day) (Year)



LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before October 10, 2013, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Crestwyn Behavioral Health (a proposed psychiatric hospital), owned and managed by Crestwyn Health Group, LLC (a limited liability company), intends to file an application for a Certificate of Need to establish a psychiatric hospital in Germantown (Shelby County), at a capital cost estimated at \$26,900,000. The facility will be constructed within an unaddressed tract of land on the east side of Crestwyn Hills Drive, with a hospital entrance drive approximately 0.2 miles (less than a quarter of a mile) south of the intersection of Crestwyn Hills Drive with Winchester Road, Germantown TN 38138.

The facility will seek licensure as a 60-bed Mental Health Hospital, offering psychiatric care for adolescents (15 beds) and adults of all ages (30 beds), and adult chemical dependency care (15 beds) from the Department of Mental Health and Substance Abuse Services. When such licensure is granted, the applicant's affiliated facility in Shelby County, Delta Medical Center, will reduce its complement of licensed hospital beds by 60 beds. Another Shelby County hospital may join with Delta Medical Center to jointly delicense a combined total of 60 hospital beds. The project does not contain major medical equipment or initiate or discontinue any other health service.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Suite 210, Nashville, TN 37215; (615) 665-2022.

 10-7-13

(Signature)

(Date)


jwdsg@comcast.net

(E-mail Address)



# Health Services and Development Agency

## Memo

**TO:** Melanie Hill, Executive Director  
**FROM:** Melissa Bobbitt, ASA III   
**DATE:** October 9, 2013  
**RE:** Letter of Intent—Crestwyn Behavioral Health

Letter of Intent for Crestwyn Behavioral Health was received on October 9, 2013. John L. Wellborn is the contact person for this project. The Letter of Intent shows Mr. Wellborn's suite number as 203, 210. Spoke with Mr. Wellborn regarding the suite number. Mr. Wellborn stated that as of today his company moved from suite 203 to suite 210 at 4219 Hillsboro Road, Nashville TN 37215 and the correct suite number is 210. He stated that the Publication of Intent has the correct suite number as 210.

/MAB



# **ORIGINAL- SUPPLEMENTAL-1**

**Crestwyn Behavioral Health**

**CN1310-040**



October 29, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

Dear Mr. Earhart:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

**1. Section A, Applicant Profile, Item 1.**

**Your response is noted. Please review and check the city and zip code. Please provide a corrected page.**

Attached following this page is a revised page 1R of Part A correcting the city name and zip code.

**2. Section A, Applicant Profile Item 5**

**The applicant notes there will not be a management/operating entity. Please clarify the reason management fees are designated on the Projected Data Chart.**

The Projected Data Chart lists management fees paid to an affiliate--which in this case is the applicant's parent company, which will always own majority interest in the applicant LLC.

Those expenses are revenues transferred to the parent company for the parent's centralized consulting and support to the hospital. Support is given in such areas as accounting, finance, human resources, information systems, internal audit, legal services, operations, regulatory compliance, healthcare quality improvement processes, reimbursement, risk management, and insurance. Such transfers are accounting events typical in any company that owns and operates a number of facilities. They are not fees due from a separate contractual relationship between the LLC and the parent company. So they do not indicate a separate (non-affiliate) management entity within the meaning of HSDA rules or the Projected Data Chart.



OCT 30 '13 AM 11:48

***PART A***

***1. Name of Facility, Agency, or Institution***

Crestwyn Behavioral Health		
<i>Name</i>		
Unaddressed tract on east side of Crestwyn Hills Drive, 0.2 miles south of the intersection of Crestwyn Hills Drive with Winchester Road		
<i>Street or Route</i>		Sumner
<i>County</i>		
Memphis	TN	38138
<i>City</i>	<i>State</i>	<i>Zip Code</i>

***2. Contact Person Available for Responses to Questions***

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

***3. Owner of the Facility, Agency, or Institution***

Crestwyn Health Group, LLC	
<i>Name</i>	
c/o Acadia Healthcare, 830 Crescent Centre Drive, Suite 610	Williamson
<i>Street or Route</i>	<i>County</i>
Franklin	TN
<i>City</i>	<i>State</i>
	37067
	<i>Zip Code</i>

***4. Type of Ownership or Control (Check One)***

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**



Page Two  
October 29, 2013

**3. Section A, Applicant Profile Item 6**

**Please check the legal interest in the site of the institution and submit a replacement page.**

Attached following this page is a revised page 2R of Part A, providing that information.

**4. Section B. I. Project Description**

**(a) Please specify the age range of patients who will be admitted to each of the four (4) proposed units.**

The anticipated age ranges are as follows. On occasion, the geropsychiatric unit could admit an adult between 55 and 65 years of age, but it would not be typical.

Adolescent Psychiatric Program:	13-17 years of age
Adult Psychiatric Program:	18-64 years of age
Geropsychiatric Program:	65+ years of age
Chemical Dependency:	18+ years of age

**(b) When does the applicant expect to disclose the name of the Shelby County hospital that may become part of the proposed project?**

The timing of disclosure will be a decision of that hospital. The applicant anticipates that the decision will be made and communicated to HSDA staff prior to the HSDA Board's review of the Crestwyn application.

**(c) In attachment A.4 "The Village" is listed as owned by the applicant. Please provide a brief overview of the facility, services, and population served.**

Village Behavioral Health is a residential treatment facility for adolescents, on a 65-acre campus near Knoxville. It serves children ages 13-17. Its programs include residential care for behavioral health and alcohol and drug treatment. Please see the materials attached after this page, for additional information.

**(d) Please clarify if children in state custody will be admitted to the adolescent unit.**

Yes.

**(e) Please clarify if all four (4) units will accept involuntary admissions.**

Yes.



**5. Name of Management/Operating Entity (If Applicable)**

NA

<i>Name</i>		
<i>Street or Route</i>		<i>County</i>
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**6. Legal Interest in the Site of the Institution (Check One)**

A. Ownership		D. Option to Lease	
B. Option to Purchase		E. Other (Specify):	
C. Lease of ____ Years		Commitment to contribute site	x

**7. Type of Institution (Check as appropriate—more than one may apply)**

A. Hospital (Specify): General		I. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty		K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Center	
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital	x	N. Non-Residential Methadone	
G. Mental Health Residential Facility		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify):	
		Q. Other (Specify):	

**8. Purpose of Review (Check as appropriate—more than one may apply)**

A. New Institution	x	G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	
B. Replacement/Existing Facility		H. Change of Location	
C. Modification/Existing Facility		I. Other (Specify):	
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)			
E. Discontinuance of OB Service			
F. Acquisition of Equipment			



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**Questions?**

**865-380-4452**



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Directions (click on map):

## About Us

Village Behavioral Health is a fully licensed psychiatric residential treatment center and alcohol and drug treatment center for teenagers (ages 13-17). We treat children who suffer from:

- Mood Disorders such as Depression, Bipolar, and Anxiety
- Chemical Dependence and/or abuse of Alcohol and Drugs.
- Trauma from Physical, Emotional, or Sexual Abuse
- Personality Disorders
- Behavioral Disorders and other Behavioral Problems
- Difficulty in School Environment

Village Behavioral Health's staff is made up of caring professionals from a variety of specialties:

- Adolescent Psychiatrist
- Licensed Social Workers
- Masters Level Therapists
- Registered Nurses
- Licensed School Teachers
- Behavioral Health Technicians

Each of our behavioral health clinical professionals ensure each patient receives care that is professional and personal to his or her specific emotional and behavioral needs. Our goal for each child is to help them understand how they got here, what poor choices they have made in the past, how their emotions have affected their poor decision making, and overall how to make better choices to become a more responsible teenager and eventually an adult. We do this through creating individualized behavioral treatment plans to fit to the specific dynamics of each child.

All behavioral treatment programs are based on a cognitive behavioral model of treatment within the framework of a pro-social philosophy capitalizing on resident's strengths to allow the resident to develop more adaptive coping mechanisms in a safe setting. Residential treatment success at Village Behavioral Health is greatly enhanced by close family involvement. Family therapy occurs on a weekly basis. With many of our patients coming from geographically distant parts of the country, telephone therapy sessions are available when face-to-face family therapy is not possible for every session. The goal of the program is to demonstrate for adolescents a respect for authority and to provide adolescents with a sense of self as part of a group or larger community, self-restraint, tolerance for tensions and





frustration, and independence in relation to others.

**SUPPLEMENTAL- # 1**

**OCTOBER 30**

**11:45am**

## The Village Academy

On-site we have a fully accredited college preparatory private school, The Village Academy, with a full staff of teachers providing both general and special education services. Education is individualized allowing students to remedy academic deficits. At The Village Academy, each child is evaluated and placed on an individual course of study. The Village Academy staff work with the child's previous school to achieve an optimal education experience. While at The Village each child can earn academic credits toward their high school diploma. The Village Academy can create positive academic experience for students who previously have known frustration and failure.

The Village is located on 65 acres of land, secluded on a peninsula of the Tennessee River. Our setting provides a significant therapeutic environment for the adolescents in a wilderness setting. The Village has a full ropes course and swimming pool and operates a vocational program and activity therapy department.

### Accreditation/Affiliations:



### Refer a Child:

#### Admissions:

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 village@acadiahealthcare.com  
 2431 Jones Bend Road  
 Louisville, TN 37777

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 Village Behavioral Health | 2431 Jones Bend Road | Louisville, TN 37777 | Phone: 865-970-3255 | Fax: 865-970-6334  
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**SUPPLEMENTAL- # 1**Refer A Child | Career Opportunities | **OCTOBER 30**

11:45am



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## Accreditation/Affiliations:

### The Joint Commission



Village Behavioral Health is accredited through The Joint Commission. The Joint Commission's standards and emphasis on clinical practice guidelines help organizations establish a consistent approach to care, reducing the risk of error. Achieving this accreditation is a demonstration to those we serve, their families, and our community of Village Behavioral Health's ongoing commitment to safe, high quality care, and treatment. (click here to see certification.)

### SACS Accreditation



The Village Academy is an accredited member of the Southern Association of Colleges and Schools (SACS). This accreditation gives final assurance that any credit students earn at the Village Academy will be accepted at any high school or college. To maintain accreditation, the school must conduct a continuing program of educational improvements to satisfy standards of accreditation, improve student performance, submit annual reports that certify implementation of the school's improvement plan, and be re-evaluated by external teams of professional educators at five-year intervals. Founded in 1895, SACS is a voluntary, nongovernmental agency composed of more than 13,000 accredited colleges and universities, elementary, middle and secondary schools. It serves eleven Southern states, as well as

Directions (click on map):

<http://www.villagebh.com/about-us/accreditation/>



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 A banner image showing three people (two women and one man) sitting outdoors on a bench, smiling. The background is a blurred outdoor setting with trees.
 

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## Mental Health Residential Treatment Program

**T**he goal of treatment at Village Behavioral Health is to achieve lasting change in an adolescent's behaviors. Village Behavioral Health promotes the development of self-restraint, respect for authority, a healthy sense of self as part of a group or community, tolerance for tension or frustration, independence, and an ability to relate to others.

All programs are based on a cognitive behavioral model of treatment within a framework of a pro-social philosophy. By capitalizing on the adolescents' strengths and exposing vulnerabilities that lay beneath their exterior we can assist them in developing adaptive coping mechanisms in a safe setting.

Village Behavioral Health ensures both around-the-clock supervision and an intense therapeutic experience. Adolescents begin by learning the rules of their new community and start to face and address the problems that brought them to Village Behavioral Health. Just as importantly, they begin to grasp that they are part of a group. These changes are key to treatment success in Village Behavioral Health's program. The outdoor program helps individual patients come to terms with their problems within the context of a positive supportive peer group. This stage helps build upon the sense of belonging to a group. Patients in each cabin work together, learn to rely on one another, and begin to understand how to relate to each other.

## Admission Criteria

Adolescents between the ages of 13-17 years old with an IQ of 70 or above with a primary mental

Directions (click on map):





health and/or substance abuse diagnosis. Village Behavioral Health works with most private insurance plans as well as TennCare and North Carolina Medicaid. Village Behavioral Health will work with your insurance plan to maximize benefits that are available.

## Treatment Modalities

**Individual Counseling:** is employed for all clients. The approach is usually intensive, brief, problem specific, with short-term goals such as resolving a problem, making a decision, carrying out a procrastinated act, or reducing the effects of a symptom. The counseling may involve the client's counselor prior to admission and/or the client's counselor following discharge. This is encouraged to enhance continuity and consistency in care.

**Group Counseling:** is a focused group counseling session, which deals with issues identified by either clients or counselors. Emphasis is on emotional and behavioral issues. Each client receives group therapy on a daily basis.

**Life Skills Group:** This group consists of educational lectures/discussions using topics including identifying personal triggers, developing strategies to avoid triggers, identifying personal relapse dynamics and improving and utilizing support systems, stress management, coping skills, anxiety, anger, self esteem, and communication. Individuals will be given homework assignments as well as group assignments to improve the ability to deal with situations they encounter.

**Family Therapy:** is designed to assist family members and clients in reorienting and restructuring relationship systems. This component involves family members in family counseling sessions with the client's therapist. These sessions are supportive experiences providing opportunities to share and question aspects of the client's care relative to family interaction and/or intervention of the client's illness. The goal of family therapy is to provide the family with opportunities to increase understanding and knowledge regarding the child's behaviors, and to be assisted in enhancement of client and family stress management, communication, and leisure time skills. Client family members attend family therapy during the client's treatment stay.

### Accreditation/Affiliations:



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## Alcohol and Drug Residential Treatment

**W**e at Village Behavioral Health understand that substance abuse is a stage that can lead to substance dependency. The good news is...**it is treatable!** Unfortunately for many, it may severely impair functioning in all areas of one's life before treatment is considered as an option. Our program at Village Behavioral Health provides comprehensive and individualized care for adolescents, involving family members as well as outpatient care professionals who can provide additional information and insight that will help us in the development of the Master Treatment Plan.

We assess each client who is struggling with substance use, to determine the appropriate and most effective approach to his/her treatment. This is accomplished by members of the treatment team consisting of, but not limited to, a psychiatrist, nurses, therapists, and behavioral health technicians. Family involvement is necessary for the healing work to begin, as substance use is something that affects all members of the family system. It is our goal to educate the client and his/her family on the symptoms of substance use, how to identify behaviors, events and emotional states that can lead to relapse and how to build a solid foundation for continued recovery.

We are committed to providing exceptional treatment, a safe environment, therapeutic programs and a discharge plan of success, sending our clients on the path to recovery from our door.

Directions (click on map):



Page Three  
October 29, 2013

**(f) Please clarify which unit will serve those that are dually diagnosed with a psychiatric and chemical dependency diagnosis.**

That will depend on the admitting physician's diagnoses. If the physician sees substance abuse treatment as the highest priority, then admission to the chemical dependency unit would typically occur.

**(g) Please clarify if the proposed hospital will admit patients with intellectual disabilities.**

Crestwyn will admit patients with intellectual disabilities if their cognitive functioning is high enough to benefit from the programs offered. That would typically require an IQ of 70 or above.

**(h) The applicant mentions a 65 bed psychiatric hospital recently closed in Shelby County. If possible, please indicate the date of closure, reason for closure, and the name of the hospital.**

The application said that 65 beds have been closed in Shelby County since 2012. The Memphis Mental Health Institute recently turned over half of a 25-bed floor to the crisis program of a local mental health center, and has told the applicant that it can now staff no more than 60 of its 75 licensed beds (55 routinely; 60 at most). That accounts for 15 closed beds. Community Behavioral Health (CBH), a freestanding psychiatric hospital near downtown Memphis, had 50 licensed beds (19 staffed) until it closed in 2013. The applicant has verified the closure of CBH with the local office of the DMHSAS, which licenses such facilities. These two actions account for 65 recently closed beds. The applicant has no more information on specific closure dates or reasons for closure of the CBH beds.

**(i) Please list the psychiatric hospitals that have closed in the past three years in the proposed service area.**

Please see the response to question 4(h) above.

**(j) Please clarify if all four (4) of the proposed units will also have partial hospitalization units.**

The applicant currently plans to have Intensive Outpatient Programs (IOP's) 3 days per week, and/or Partial Hospitalization 5 days a week, available to patients from all four programs. These patients do not use inpatient beds.



Page Four  
October 29, 2013

**5. Section B. II. A. Applicant's Need for the Proposed Project**

**(a) The applicant calculated the construction cost PSF at \$250.00. The cost appears to actually be \$244.00 PSF. Please verify.**

\$244.85 is the exact construction cost PSF; \$250 was just a rounding up for simplicity, and was used several places in the application. However, if staff requires the exact figure, it is on the following revised pages, attached after this response.

- 8R, TableTwo Construction Costs;
- 13R, Table Two Construction Costs repeated; and reference to cost PSF in text;
- 53R, Project Cost Chart, reference to cost PSF in line A5.
- 55R, Table Two repeated



**B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.**

**B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.*) INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.**

<b>Table Two: Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$244.85 PSF

<b>Table Three: Facility Size</b>	
1. Building Area	58,250 GSF
2. Building Type	Single story, central services core and two patient wings
3. Size of Site	18.9 acres
4. Licensed Beds	
Adult Psychiatric	15 beds--5 private; 10 semiprivate
Geropsychiatric	15 beds--5 private; 10 semiprivate
Child & Adolescent	15 beds--5 private; 10 semiprivate
Chemical Dependency	15 beds--5 private; 10 semiprivate
<i>Totals</i>	<i>60 beds--20 private; 40 semiprivate</i>

Physical Description of the Facility

The Crestwyn Behavioral Health facility will be constructed on an 18.9-acre plot of land (Parcel 1) within a large tract of open land in Germantown. The City of Germantown has not yet assigned it a street address. The site is on the east side of Crestwyn Drive, approximately one-fourth mile south of that street's intersection with Winchester Road. The site is being contributed by Baptist Memorial Health Services.

The main entrance to the hospital will be a new hospital drive going approximately 100 yards east from Crestwyn Drive, to the front of the hospital. North of the hospital property is an existing office park. An alternate entrance to the hospital grounds will be provided by an extension of that business park's main drive to connect to the new hospital drive near the front of the hospital. A location and site map are attached after this section to illustrate the position of the proposed hospital.



**APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF \$5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF \$2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART.**

**UTILIZING THE ATTACHED CHART....**

See Attachment B.II.A.

**PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.**

Hospital construction projects approved by the HSDA in 2010-2012 had the following average construction costs per SF:

<b>Table Five: Hospital Construction Cost PSF Years: 2010 – 2012</b>			
	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$99.12/sq ft	\$234.64/sq ft	\$167.99/sq ft
<b>Median</b>	\$177.60/sq ft	<b>\$259.66/sq ft</b>	\$235.00/sq ft
3 <sup>rd</sup> Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012*

The Crestwyn Behavioral Health facility will be cost-effective and consistent with those averages. The project's estimated construction cost is approximately \$244.85 PSF, consistent with the HSDA's published median cost PSF in those years.

<b>Table Two: (Repeated from Previous Section): Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$244.85 PSF

**IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.**

Not applicable.



## PROJECT COSTS CHART--CRESTWYN BEHAVIORAL HEALTH

OCTOBER 30

11:45am

## A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	7% of A.5	998,375
2. Legal, Administrative, Consultant Fees (Excl CON Filing)		75,000
3. Acquisition of Site		0
4. Preparation of Site		1,500,000
5. Construction Cost	58,250 GSF X \$244.85 PSF	14,262,500
6. Contingency Fund	12% of A.5	1,711,500
7. Fixed Equipment (Not in A.5)	in A.8	0
8. Moveable Equipment (List all equipment over \$50,000)		2,000,000
9. Other (Specify)	telecomm/IS/Furnishgs/Misc Fees	500,000
	contingency for purchase of other beds	3,000,000

## B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	0
2. Building only	0
3. Land only	1,678,500
4. Equipment (Specify)	0
5. Other (Specify)	0

## C. Financing Costs and Fees:

1. Interim Financing*	1,104,987
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify)	0

D. Estimated Project Cost  
(A+B+C)

26,830,862

## E. CON Filing Fee

statutory maximum

45,000

## F. Total Estimated Project Cost (D+E)

TOTAL \$ 26,875,862

Actual Capital Cost  
Section B FMV25,197,362  
1,678,500

\*interim interest calculation--18 mo. Construction period assumed  
 $.5 \times 21,047,375 \times .07 \times 1.5$



**C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.**

The justification of costs was provided in an earlier section, repeated here:

The Crestwyn Behavioral Health facility will be cost-effective and consistent with those averages. The project's estimated construction cost is approximately \$244.85 PSF, consistent with the HSDA's published median cost PSF in those years.

<b>Table Two (Repeated): Construction Costs</b>	
Square Feet	58,250 GSF
Construction Cost	\$14,262,500
Construction Cost PSF	\$244.85 PSF

Hospital construction projects approved by the HSDA in 2010-2012 had the following average construction costs per SF:

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3 <sup>rd</sup> Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012*



Page Five  
October 29, 2013

**(b) Please clarify if there will be a secured area for triage and assessment.**

There are three consulting rooms that will be used for secure holding and evaluation when needed. They are located on a corridor bordering the recreation gym, convenient to the admitting area.

**(c) Please clarify that an involuntary admission will be required to be admitted to a neighboring medical center's emergency room first prior to admission to the proposed psychiatric hospital.**

This is not routinely required in Tennessee.

**(d) Please clarify the reason an adult chemical dependency unit would need a seclusion room.**

All the wings were designed with similar support areas, so that in future years they can be used for various types of patients without structural modifications. The applicant recognizes that dual diagnosis adults would typically have the lowest level of psychiatric acuity and that they would rarely need seclusion or restraint. However, a seclusion room on the CD unit is sometimes needed for patient calming, or during a detoxification when side effects develop that would not be appropriate to a group setting. DMHSAS Licensing regulations direct that seclusion be used as little as possible.

**(e) Please clarify if the proposed psychiatric units will have restraint rooms.**

There is no difference in design between a seclusion room and a restraint room. Each unit has a seclusion room, which if necessary could be used for restraint. DMHSAS Licensing regulations direct that restraint must be available, but should be avoided if possible.

**(f) The eastern bed wing that contains the child and adolescent and geropsychiatric unit is noted. However, please clarify what areas will be shared by both units. What type of safeguards has been taken to insure the children and adolescent unit's safety and security?**

No areas of that eastern bed wing will be shared by those two mutually exclusive patient populations. However, all four units will use spaces in the facility's core area—such as group and activity therapy rooms, recreation, dining, and classrooms. Complete separation of patient populations will be accomplished by scheduling, as in all such facilities that serve several types and ages of patients.

**(g) Are all the four (4) proposed units locked? If not, which units are locked?**

All four units will be locked. Their doors will be secured by electronic locks.



Page Six  
October 29, 2013

**(h) On page 11 the applicant states approximately \$25,200,000 will be funded by the applicant's ultimate parent company. The funding letter in the attachments is \$25,000,000, a difference of \$200,000. Please clarify.**

Attached following this page is a revised funding letter from the Chief Financial Officer, indicating the availability of \$25,200,000.

**(i) Please submit a square footage and cost per square footage chart.**

Attached following this page, after the CFO's revised funding letter.

**(j) Please recalculate the construction cost PSF of \$250.00 in Table Two on page 13.**

This has been done in response to question 5a above.

- 6. Section B. II. B. Applicant's Need for the Proposed Project  
In Table Six-B, shouldn't the Total line under Proposed read "183 (-60) to 223 (-20)"?**

Yes; thank you for noting the typographical error. That chart appears on pages 10 and 14 of the submitted application. Revised pages 10R and 14R are attached following this page.





**SUPPLEMENTAL- # 1**

**OCTOBER 30**

**11:45am**

Direct Phone: 615-861-7307

Email: [david.duckworth@acadiahealthcare.com](mailto:david.duckworth@acadiahealthcare.com)

October 25, 2013

Melanie Hill, Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, Third Floor  
161 Rosa Parks Boulevard  
Nashville, Tennessee 37203

**RE:    Financing Commitment  
       Crestwyn Behavioral Health, Shelby County**

Dear Mrs. Hill:

Crestwyn Health Group, LLC, whose ultimate parent company is Acadia Healthcare Company, Inc., is applying for a Certificate of Need to establish Crestwyn Behavioral Health, a new psychiatric and substance abuse hospital in the Germantown area of Shelby County.

This letter is to confirm that Acadia Healthcare will provide the approximately \$25,200,000 in funding required to implement that project. Acadia intends to finance the transaction with cash on hand and borrowings from its existing revolving credit facility. Acadia's most recent audited financial statements are provided in the application.

Sincerely,

A handwritten signature in dark ink, appearing to read "DDuckworth", is positioned above the printed name.

David Duckworth  
CFO



CRESTWYN BEHAVIORAL HEALTH  
SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Administration						5,701	5,701		\$ 225.00	\$ 1,282,725
Building Support						2,031	2,031		\$ 200.00	\$ 406,200
Dietary						3,872	3,872		\$ 250.00	\$ 968,000
Education / Activity Therapy						6,338	6,338		\$ 225.00	\$ 1,426,050
Inpatient Nursing Units						19,120	19,120		\$ 275.00	\$ 5,258,000
Outpatient Therapy						1,768	1,768		\$ 200.00	\$ 353,600
Pharmacy						421	421		\$ 245.00	\$ 103,145
Public Spaces						1,095	1,095		\$ 235.00	\$ 257,325
B. Unit/Department GSF Sub-Total						40,346	40,346		\$ 249.22	\$ 10,055,045
C. Mechanical / Electrical GSF						841	841		\$ 940.00	\$ 790,540
D. Circulation / Structure GSF						17,063	17,063		\$ 200.25	\$ 3,416,915
E. Total GSF						58,250	58,250		\$ 244.85	\$ 14,262,500

**SUPPLEMENTAL- # 1**

**OCTOBER 30**

**11:45am**



60 beds at the two existing hospitals. If the agreement is not reached, Delta will delicense 20 psychiatric beds and 40 medical-surgical beds. Either way, Crestwyn's 60 hospital beds will be offset by delicensure of 60 beds elsewhere in the county.

<b>Table Four: Proposed Changes in Assignment of Licensed Hospital Beds at Other Shelby County Hospitals</b>		
<b>Licensed Bed Assignment</b>	<b>Current</b>	<b>Proposed</b>
Delta Medical Center		
General Acute	153	113 (-40) to 153
Adult Psychiatric	90	70 (-20)
Child & Adolescent Psychiatric	na	na
Chemical Dependency	na	na
Total	243	183 (-60) to 223 (-20)
Second <b>Potential</b> Hospital Partner	confidential	(-0) to (-40)

Source: Acadia Healthcare

#### Operation of the Facility

As a licensed inpatient acute care facility, Crestwyn will operate 24 hours daily throughout the year. If granted final CON approval during CY 2014, the project is expected to complete final plan approval and complete construction during early 2015.

#### Ownership of the Facility

The CON applicant and prospective licensee is Crestwyn Health Group, LLC. Until the CON is granted, that LLC will be wholly owned by Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company, Inc. Acadia Healthcare is a Tennessee-based healthcare company that currently operates 49 psychiatric and chemical dependency facilities in 22 States, and Delta Medical Center in Memphis, which provides both psychiatric and general medical-surgical services. Attachment A.4 contains information on the facilities owned by this facility's parent organization.



**B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.**

The project is a new psychiatric hospital. Its proposed bed assignments are shown in Table Six-A below. Table Six-B below shows how existing beds in one to two other Shelby County hospitals will be delicensed to fully offset the 60 new beds at Crestwyn.

<b>Table Six-A: Proposed Assignment of Licensed Hospital Beds Crestwyn Behavioral Health</b>	
<b>Service</b>	<b>Proposed Bed Assignment</b>
Adult Psychiatric	15
Geropsychiatric	15
Child & Adolescent Psychiatric	15
Adult Chemical Dependency	15
<b>Total Bed Assignments</b>	<b>60</b>

*Source: Hospital management*

<b>Table Six-B: Proposed Changes in Assignment of Licensed Hospital Beds at Other Shelby County Hospitals</b>		
<b>Licensed Bed Assignment</b>	<b>Current</b>	<b>Proposed</b>
<b>Delta Medical Center</b>		
General Acute	153	113 (-40) to 153
Adult Psychiatric	90	70 (-20)
Child & Adolescent Psychiatric	0	0
Chemical Dependency	0	0
<b>Total</b>	<b>243</b>	<b>183 (-60) to 223 (-20)</b>
<b>Second Potential Hospital Partner</b>	<b>confidential</b>	<b>(-0) to (-40)</b>

*Source: Acadia Healthcare*



Page Seven  
 October 29, 2013

**7. Section B. II. C. Applicant's Need for the Proposed Project**

**(a) Please identify the two referenced Memphis psychiatric hospitals that have closed beds in the past year. Please also identify the number and type of beds that were closed.**

Response 4(h) above provides most of that information. Based on its 2012 Joint Annual Report (JAR), Community Behavioral Health appears to have closed 50 adult psychiatric beds for patients age 18-64. It did not report serving any other age groups, or any chemical dependency patients, in its 2012 JAR.

The JAR of the other facility, Memphis Mental Health Institute, reported serving only adult psychiatric patients 18 years of age and older. Presumably their bed closure consisted of 25 adult psychiatric beds.

**(b) Please identify the referenced psychiatric facility on page 21 that had charity care less than one-half of one percent of gross revenues.**

That information may be found on page 18 of the 2012 Joint Annual Report of Lakeside Behavioral Health. The calculation was as follows:

Total Gross Revenue, one 4(e)	\$97,223,765
Charity Care, IP+OP, line 6(d)	\$416,435 (0.43% of Gross Revenues)

**8. Section C. (Need) 1. Specific Criteria (Acute Care Bed Services) Item 2.c.**

**(a) The table on page 30 is noted. However, the title of the table is not legible. Please provide a copy with a legible table title.**

The title of the table prints on both pages of the table, but is legible only on the second page. Attached after this page is a modified page 1 of the table.

**(b) Please explain the table on page 30.**

As stated at the top of page 28 of the application, pages 30-31 are a two-page table showing the Tennessee Department of Health's 2013-2017 hospital bed need projections by county, calculated using the formula in the Guidelines for Growth. This is always projected by the Department for use by CON applicants.

The ten Tennessee counties comprising the Crestwyn project's Tennessee primary service area are shaded grey, for easy identification. The applicant added a bottom line to the chart to show the net surplus of 1,400 hospital beds in those ten counties, as calculated by the Department.



# ACUTE-CARE BED NEED PROJECTIONS FOR 2013 AND 2017 **SUPPLEMENTAL- # 1**

**OCTOBER 30  
11:45am**

COUNTY	PROJECTED		2011 ACTUAL BEDS		SHORTAGE/SURPLUS	
	ADC-2017	NEED 2017	LICENSED	STAFFED	LICENSED	STAFFED
Anderson	142	178	301	255	-123	-77
Beford	26	38	60	60	-22	-22
Benton	6	12	25	12	-13	0
Bledsoe	7	13	25	25	-12	-12
Blount	158	198	304	238	-106	-40
Bradley	113	141	351	207	-210	-66
Campbell	58	75	120	97	-45	-22
Cannon	22	32	60	50	-28	-18
Carroll	24	35	115	67	-80	-32
Carter	44	59	121	79	-62	-20
Chaatham	5	9	12	12	-3	-3
Chester	.	.	.	.	.	.
Claiborne	24	36	85	39	-49	-3
Clay	13	22	36	34	-14	-12
Cocke	17	27	74	38	-47	-11
Coffee	95	119	214	154	-95	-35
Crockett	.	.	.	.	.	.
Cumberland	73	93	189	133	-96	-40
Davidson	2,312	2,890	3,685	2,998	-795	-108
Decatur	8	14	40	27	-26	-13
Dekalb	13	22	71	56	-49	-34
Dickson	58	76	157	122	-81	-46
Dyer	47	64	225	120	-161	-56
Fayette	3	8	46	10	-38	-2
Fentress	20	31	85	54	-54	-23
Franklin	67	86	152	110	-66	-24
Gibson	16	25	209	90	-184	-65
Giles	20	31	95	81	-64	-50
Grainger	.	.	.	.	.	.
Greene	76	97	240	170	-143	-73
Grundy	.	.	.	.	.	.
Hamblen	121	152	302	226	-150	-74
Hamilton	1,106	1,382	1,596	1,236	-214	146
Hancock	2	6	10	10	-4	-4
Hardeman	3	6	51	21	-45	-15
Hardin	20	31	58	49	-27	-18
Hawkins	15	24	50	46	-26	-22
Haywood	7	13	62	36	-49	-23
Henderson	9	15	45	45	-30	-30
Henry	47	63	142	101	-79	-38
Hickman	3	8	25	25	-17	-17
Houston	12	19	35	35	-16	-16
Humphreys	5	10	25	25	-15	-15
Jackson	.	.	.	.	.	.
Jefferson	26	38	58	58	-20	-20
Johnson	0	1	2	2	-1	-1
Knox	1,288	1,609	2,167	1,758	-558	-149
Lake	.	.	.	.	.	.
Lauderdale	9	16	25	25	-9	-9
Lawrence	30	43	99	80	-56	-37
Lewis	.	.	.	.	.	.
Lincoln	22	33	59	59	-26	-26



Project-Specific Review Criteria--Psychiatric Inpatient Services**A. Need**

**1. The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in the Joint Annual Reports).**

Table Nine below, following responses A1-A3, projects the total CY2017 need for psychiatric inpatient beds at a rate of 30 beds per 100,000 population--applied to adolescent, adult, and elderly population cohorts. It does not include children below 13 years of age. The population is the CY2017 primary service area population in three States, taken from Table Thirteen of the application. The projected Tennessee population is from the Tennessee Department of Health's most current series.

These primary service area age groups have a total need for approximately 470 beds, of which approximately 333 are needed for the ten Tennessee counties in the primary service area.

**2 For adult persons, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.**

As shown in Table Nine, primary service area adults 18+ years of age need approximately 426 beds (351 for ages 18-64 plus 75 for ages 65+). Of these, approximately 306 are needed in Tennessee (250 for ages 18-64 plus 55.7 for ages 65+).

**3. For child inpatients under age 13, and if adolescent program the age group of 13-17 should be used.**

As shown in Table Nine, primary service area adolescents ages 13-17 need approximately 44 beds. Of these, the Tennessee PSA counties need approximately 27 beds.



**Table Nine (Supplemental): Psychiatric Bed Need In Primary Service Area Under State Guidelines for Growth  
CY2017**

COUNTY	STATE	2017 POPULATION			2017 PSYCHIATRIC BED NEED UNDER CY2000 TN GUIDELINES			STATE TOTALS	
		ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESCENT 13-17	ADULT 18-64	ADULT 65+	ADOLESC + ADULT	ADOLESC + ADULT
CRAIGHEAD	AR	9,103	67,797	13,143	2.73	20.34	3.94	27.01	
CRITTENDEN	AR	5,974	28,761	5,145	1.79	8.63	1.54	11.96	
MISSISSIPPI	AR	5,016	25,777	5,292	1.50	7.73	1.59	10.83	
PHILLIPS	AR	2,110	10,451	2,745	0.63	3.14	0.82	4.59	
POINSETT	AR	1,804	14,145	3,747	0.54	4.24	1.12	5.91	AR
ST FRANCIS	AR	1,888	17,236	3,276	0.57	5.17	0.98	6.72	67.02
DESOTO	MS	20,003	110,022	18,108	6.00	33.01	5.43	44.44	
MARSHALL	MS	3,433	22,525	4,490	1.03	6.76	1.35	9.13	
PANOLA	MS	4,206	20,458	4,307	1.26	6.14	1.29	8.69	MS
TATE	MS	3,459	19,160	4,324	1.04	5.75	1.30	8.08	70.35
DYER	TN	2,620	22,816	6,705	0.79	6.84	2.01	9.64	
FAYETTE	TN	1,937	27,113	7,815	0.58	8.13	2.34	11.06	
GIBSON	TN	3,816	30,632	9,075	1.14	9.19	2.72	13.06	
HARDEMAN	TN	1,536	16,511	4,484	0.46	4.95	1.35	6.76	
HARDIN	TN	1,602	15,138	5,719	0.48	4.54	1.72	6.74	
LAKE	TN	346	7,167	1,208	0.10	2.15	0.36	2.62	
MADISON	TN	6,521	61,273	15,493	1.96	18.38	4.65	24.99	
McNAIRY	TN	1,804	15,795	5,390	0.54	4.74	1.62	6.90	
SHELBY	TN	65,279	594,500	120,783	19.58	178.35	36.23	234.17	TN
TIPTON	TN	4,324	42,311	9,083	1.30	12.69	2.72	16.72	332.64
PSA TOTALS		146,781	1,169,588	250,331	44.03	350.88	75.10	470.01	470.01
TN TOTALS		89,785	833,256	185,755	26.9	250.0	55.7	332.6	

Source: TDH population projections by age cohort; Mississippi and Arkansas from Table Thirteen. Multiplied by Guideline of 30 beds per 1000 population.



**4. These estimates for total need should be adjusted by the existent staffed beds operating in the area, as counted by the Department of Health in the Joint Annual Report.**

Following this page are Tables Eleven-A, -B, and -C. They contain the applicant's most current information on staffed beds in the service area. The Mississippi and Arkansas data is very limited, no current beyond 2010, and does not provide staffed bed data. So the table uses their licensed beds, which may overstate bed availability as defined by this criterion #4. Also, for the reviewer's information the table shows 2013 staffed and available beds in Tennessee, based on documented bed closures too recent to be shown in Joint Annual Reports.

The Guideline methodology (based on staffed beds) projects a need for 470 acute psychiatric beds for adults and adolescents residing in these 20 counties. This need consists of approximately 333 beds for Tennessee patients, 70 beds for Mississippi patients, and 67 beds for Arkansas patients. *Note: This does not include bed need for residents in the other 48 counties in the secondary service area, many of whom come to Memphis for care.*

Tables Eleven-A through -C show a maximum service area supply of 1,037 staffed beds--764 currently in Tennessee, 175 in Mississippi, and 98 in Arkansas. In the Tennessee portion of the primary service area, there is a perceived surplus of 431 beds in the Tennessee portion of the primary service area (764 existing staffed beds - 333 needed beds). Depending on how many hospitals join this project, Crestwyn will add either (a) no psychiatric beds, or (b) 40 psychiatric beds. Crestwyn therefore will increase areawide psychiatric bed complements by either none at all, or by only 5%. That is an insignificant impact, relative to its benefits to the area.

<b>Table Ten: Guidelines Projection of Net Psychiatric Hospital Bed Need and the Project's Impact on Psychiatric Bed Complements in the Tennessee Service Area</b>				
<b>Area</b>	<b>Beds Needed 2017</b>	<b>Maximum Staffed Beds 2013</b>	<b>Bed Surplus 2017</b>	<b>Project Impact on Area Beds if 0-40 Beds added</b>
TN PSA--10 Co.	333	764	431	0 - 5%

*Source: Tables Nine, and Eleven-A through -C.*



Supplemental Table Eleven-B: Acute Psychiatric Beds Crestwyn Primary Service Area--Arkansas & Mississippi 2012					
Arkansas & Mississippi Facilities					
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	
AR	St. Bernard's Medical Center	Craighead	na	na	60
AR	Great River Medical Center	Mississippi	na	na	20
AR	Forrest City Medical Center	St. Francis	na	na	18
MS	Parkland Behavioral Health- Psychiatric	DeSoto	na	na	74
MS	Parkland Behavioral Health-Chem. Dependence	DeSoto	na	na	14
MS	Tri-Lakes Medical Center- Psychiatric	Panola	na	na	32
MS	Tri-Lakes Medical Center- Chem. Dependence	Panola	na	na	23
MS	Alliance Healthcare System	Marshall	na	na	20
MS	North Oaks Regional Medical Center	Tate	na	na	12
<b>AR/ MS PRIMARY SERVICE AREA</b>			<b>na</b>	<b>na</b>	<b>273</b>

Sources: Arkansas Department of Health; Mississippi State Health Plan

Table Eleven-C: Crestwyn Primary Service Area (3 States) Currently Staffed Psychiatric Beds in 2013			
TENNESSEE			764
ARKANSAS			98
MISSISSIPPI			175
<b>PRIMARY SERVICE AREA TOTAL</b>			<b>1037</b>

Supplemental Table Eleven-A: Acute Psychiatric Beds Staffed Crestwyn Primary Service Area--Tennessee 2012-2013					
2012 Joint Annual Reports of Hospitals					
State	Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	
TN	Community Behavioral Health--psych beds	Shelby	19	50	
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290	
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15	
TN	Memphis Mental Health Institute	Shelby	75	75	
TN	Delta Medical Center	Shelby	90	90	
TN	Methodist University Healthcare--psych beds	Shelby	34	34	
TN	St. Francis Hospital--psych beds	Shelby	102	102	
	<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>	
TN	Western Mental Health Institute	Hardeman	150	187	
TN	Pathways of Tennessee	Madison	25	25	
<b>TN PRIMARY SERVICE AREA</b>			<b>781</b>	<b>868</b>	

Additional Data on Changes in 2013				
State	Facility Name	County	2013 Staffed Psychiatric Beds	2013 AVAILABLE Psychiatric Beds
TN	Community Behavioral Health--psych beds	Shelby	0	0
TN	Lakeside Behavioral Health System--psych beds	Shelby	290	290
TN	Lakeside Behavioral Health System--CD beds	Shelby	15	15
TN	Memphis Mental Health Institute	Shelby	60	60
TN	Delta Medical Center	Shelby	90	90
TN	Methodist University Healthcare--psych beds	Shelby	34	34
TN	St. Francis Hospital--psych beds	Shelby	102	102
	<b>Shelby County Subtotal</b>		<b>591</b>	<b>591</b>
TN	Western Mental Health Institute	Hardeman	150	187
TN	Pathways of Tennessee	Madison	23	25
<b>TN PRIMARY SERVICE AREA TOTALS</b>			<b>764</b>	<b>803</b>

- Sources: 1. TDH Joint Annual Reports of Hospitals, 2010-2012 (Provisional)  
2. 2013 staffed and available bed data at CBH from DMHSAS Licensing & website  
3. 2013 staffed and available bed data at MMHI from CEO on 10-7-13.  
25 licensed beds are now occupied by SE Mental Health Center staff, long-term.  
4. Hospital-based units in 2013 are assumed to be staffed at 2012 levels.



**B. Service Area**

**1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity of the Community Service Agency.**

The primary and secondary service areas are the actual 2012 psychiatric admissions service area of Delta Medical Center in Memphis, which is an affiliate of the applicant (both are owned by Acadia Healthcare). Delta's and Crestwyn's psychiatric operations will be coordinated by local administrators, and are expected to have identical service areas.

**2. The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.**

Crestwyn will serve adolescents and adults of all ages, without discrimination with regard to gender or ethnicity.

It will serve low-income TennCare and Medicare patients. It will admit self-pay and charity patients, as indicated in Acadia's income and expense projections in this application.

Crestwyn will accept involuntary admissions from the judicial system.

**C. Relationship to Existing Applicable Plans**

**1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.**

State Guidelines for Growth, on Guidelines page 5, set forth positions that are supported by this project. They support delivery of services to the most medically appropriate settings, which this acute care service provides. The Guidelines support institutions that provide care to the elderly and this project includes a geriatric program. They recommend that preference be given to patient accessibility and availability, both of which will be improved by the opening of this project in the southeast Shelby County.



**2. The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county and/or regional plans and other documents should be a significant consideration.**

The project's extensive service area, extending from Memphis across rural parts of three States, includes numerous areas considered medically underserved.

**3. The impact of the proposal on similar services supported by state appropriations should be assessed and considered.**

The applicant anticipates that both State mental health hospitals in the service area will continue to support this project.

**4. The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.**

The applicant will accept involuntary commitments to all four of its units.

**5. The degree of projected financial participation in the Medicare and TennCare programs should be considered.**

Crestwyn will contract with all area TennCare MCO's that cover psychiatric and chemical dependency services. Its projected payor mix for TennCare is 15%. Crestwyn will serve aged adults; its projected payor mix for Medicare is 25%. (These percentages are calculated on gross patient revenues.) These are conservative projections based on the experience of Acadia at Delta Medical Center in Memphis. Crestwyn will seek contracts with the Medicaid programs of Mississippi and Arkansas.

#### **D. Relationship to Existing Similar Services in the Area**

**1. The area's trends in occupancy and utilization of similar services should be considered.**

Supplementary Tables Fourteen-A and -B in this application provide utilization and occupancy data for inpatient psychiatric beds in the primary service area (PSA), and in Shelby County itself. Table Fourteen-A identified significant increases in Shelby County psychiatric bed days from 2010 to 2012. Shelby County days increased 7.1% in that two-year period--from 135,076 days to 144,627 days. If that trend continues, then in



five years the county will be highly utilizing all of the 591 licensed behavioral beds that it currently has in CY2013.

Five-Year Projection of Shelby County Occupancies Most Recent Two-year Growth Rate in Days of Care					
Year	Growth Rate	Pat. Days	ADC	Current Beds	Occupancy
2012	7%	144,627	396	591	67.0%
2014	7%	154,751	424	591	71.7%
2016	7%	165,584	454	591	76.8%
2018	7%	177,175	485	591	82.0%

## 2. Accessibility to specific special need groups should be an important factor.

The applicant has committed Crestwyn to provide significant levels of charity care, and has demonstrated its commitment to care for lower-income patients through its services to them at Delta Medical Center.

### E. Feasibility

**The ability of the applicant to meet Tennessee Department of Mental Health licensure requirements (related to personnel and staffing for psychiatric inpatient facilities) should be considered.**

The applicant is aware of the licensure requirements for staffing this type of facility, and is committed to meet or exceed them. All personnel delivering patient care will be appropriately qualified and supervised. Psychiatrists will provide medical direction to all four of Crestwyn's programs. The patient population will have 24-hour medical coverage. It will have a direct-care staffing level of at least two direct-care staff on duty/on site per ward per shift, with at least one nurse per shift. Crestwyn will have 24-hour supervision by a Registered Nurse. Activity therapy staff will be sufficient to cover activities on evenings, weekends, and holidays, in addition to those during the weekdays. Appropriate staff will provide all diagnostic services.



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**(c) Please clarify if out-of-state involuntary admissions are permitted to be admitted into a Tennessee psychiatric unit.**

Delta Medical Center behavioral health staff have affirmed to the applicant that Tennessee courts can, and do, admit out-of-State residents to a Tennessee psychiatric program on an involuntary basis, provided the Tennessee program can accept such involuntary patients. It should be noted that the Medicaid program will not approve a freestanding psychiatric hospital's admission of persons 21 years of age or older.

**(d) Please clarify if the applicant will be a contracted provider for out-of-state patients who have Medicaid, commercial insurance, or single case agreements negotiated on each out-of-state patient admission.**

The applicant will seek all such contracts. With regard to Medicaid, the applicant's Memphis affiliate, Delta Medical Center, is a Medicaid provider for both Arkansas (on a negotiated per diem basis) and for Mississippi (on a DRG payment basis).

**10. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.1.**  
**On the top of page 35, the applicant references "State Guidelines for Growth, on Guidelines page 5". Please clarify or provide a copy of which the applicant is referring.**

The reference is to the Tennessee's Health Guidelines for Growth, Criteria and Standards for Certificate of Need, 2000 edition. The cover and page 5 of that document are attached following this page.

**11. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.2.**  
**Please indicate the designated Medically Underserved Areas of the proposed service area as designated by the U.S. Health Resources and Services Administration.**

This will be provided under separate cover on October 30.



**Tennessee's Health**

**Guidelines For Growth**



**Criteria and Standards  
for  
Certificate of Need  
2000 Edition**

**Prepared by the  
Health Planning Commission**



## **HEALTH PLANNING COMMISSION PHILOSOPHY**

The following are philosophic positions and guidelines of the Health Planning Commission to be considered by the Health Facilities Commission or other commissions when reviewing applications for certificates of need.

1. The Health Planning Commission (HPC) supports a philosophy that directs the delivery of health care services to the most medically appropriate, least intensive (restrictive) and most cost-effective health care settings.
2. The HPC recognizes all institutions as equal regardless of ownership, i.e., for profit, not for profit, government, etc., but strongly favors those institutions that provide services to the elderly, categorically needy, and indigent patients. When applying any specific formula, the elderly, categorically needy, and/or indigent patients not served by the facility will be removed from that formula. For example, those providers who do not provide services to TennCare patients will subtract the appropriate TennCare population from the total population to be served before applying the formula. This pertains to all types of providers seeking a certificate of need.
3. The HPC supports the position that every citizen, regardless of ability to pay, should have access to basic health care services, i.e., those services provided in a clinic setting or secondary hospital setting (basic inpatient care, obstetrics, primary surgical services, and emergency care).
4. The HPC feels that preference should be given to patient accessibility, availability, and affordability needs when making a certificate of need determination of establishment, relocation, replacement, or discontinuation of health care institutions or services.



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**12. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.3**

**The applicant has provided letters of support in the attachments from two (2) state mental health institutions. Please respond to this criterion by discussing the letters of support from the state mental health institutions.**

At the time the application was written, the support of these facilities was anticipated but not yet in hand. The applicant is pleased that both the Memphis Mental Health Institute in Memphis, and Western Mental Health Institute in Bolivar, provided letters of support for this project shortly before the application was filed. Both letters cite a service area need for more mental healthcare options in the service area and in Memphis specifically. The letters mention no adverse impact on their operations.

**13. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item D. 1-2. and E.1**

**Please respond to “D. Relationship to Existing Similar Services in the area” and “E. Feasibility” in the Specific Criteria for Inpatient Psychiatric Units.**

Please see the responses to question 9a-b, above.



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**14. Section C. (Need) Item 2**

**Please clarify how the proposed Crestwyn and Delta Medical will function as a two campus system by addressing the acute medical co-morbidities while physically while being 12.7 miles apart in distance.**

The two hospitals will be owned by the same ultimate parent company, which has committed to operate them in a coordinated way. Delta Medical Center management and staff have worked with Acadia Healthcare to plan the Crestwyn project. They will assist with its post-CON implementation, including staff recruitment. Patient intake to Crestwyn will be facilitated by a centralized telephone screening office based at Delta Medical Center. This is logical because Delta has an emergency room that can quickly assess a prospective patient's medical co-morbidities.

It should be added that in Shelby County, community-based mobile crisis teams perform the vast majority of initial telephone screenings and subsequent on-site patient evaluations to determine patient treatment and transport needs. While Delta Medical Center does see some of these patients presenting at its ED, the overall experience is that less than 10% of DMC psychiatric admissions come through its ED. Patients tend to come from crisis centers and from other hospitals.

**15. Section C. (Need) Item 3**

**The applicant has stated the proposed service area will mirror that of Delta Medical Center. Please submit a chart of patient origin by county (in-state and out-of-state) for patients admitted to Delta Medical Center's Psychiatric Inpatient Units in 2012.**

Those tables are attached following this page.

**16. Section C. (Need) Item 4.B**

**What are DSH payments?**

Disproportionate Share Hospital ("DSH") certification is given by CMS to a hospital that has (a) at least 100 licensed medical-surgical beds, and (b) an unusually high Medicare and Medicaid payor mix. DSH certification enables the hospital to receive extra reimbursement for patient care to Medicare and Medicaid enrollees. It helps hospitals with an unusually high patient mix of elderly or low-income persons, resulting in excessive patient care costs per admission that would be difficult for the hospital to provide without extra reimbursement.



Supplemental Table: Delta Medical Center Behavioral Health Admissions--2012 (Page 1 of 2)							
A. DELTA MEDICAL CENTER CY2012 BEHAVIORAL HEALTH ADMISSIONS BY STATE & COUNTY				B. DELTA MEDICAL CENTER CY2012 BEHAVIORAL HEALTH ADMISSIONS BY STATE AND NUMBER OF ADMISSIONS			
COUNTY	STATE	ADMITS		COUNTY	STATE	ADMITS	
CLAY	AR	1	14.2% 216	CRITTENDEN	AR	68	
CRAIGHEAD	AR	21		MISSISSIPPI	AR	26	
CRITTENDEN	AR	68		CRAIGHEAD	AR	21	
CROSS	AR	4		PHILLIPS	AR	18	
FULTON	AR	1		SAINT FRANCIS	AR	17	
GREENE	AR	11		POINSETT	AR	16	
JACKSON	AR	3		LAWRENCE	AR	13	
LAWRENCE	AR	13		GREENE	AR	11	
LEE	AR	3		RANDOLPH	AR	9	
MISSISSIPPI	AR	26		CROSS	AR	4	
PHILLIPS	AR	18		JACKSON	AR	3	
POINSETT	AR	16		LEE	AR	3	
POPE	AR	1		PULASKI	AR	2	
PULASKI	AR	2		CLAY	AR	1	
RANDOLPH	AR	9		FULTON	AR	1	
SAINT FRANCIS	AR	17		POPE	AR	1	
SHARP	AR	1		SHARP	AR	1	
WOODRUFF	AR	1		WOODRUFF	AR	1	
ALCORN	MS	2		DESOTO	MS	89	
BENTON	MS	5		MARSHALL	MS	27	
BOLIVAR	MS	4	TATE	MS	21		
CALHOUN	MS	2	PANOLA	MS	15		
CARROLL	MS	1	COAHOMA	MS	9		
CLAIBORNE	MS	1	YALOBUSHA	MS	8		
COAHOMA	MS	9	LEFLORE	MS	7		
DESOTO	MS	89	QUITMAN	MS	6		
GRENADA	MS	4	BENTON	MS	5		
HINDS	MS	1	LEE	MS	5		
ITAWAMBA	MS	1	BOLIVAR	MS	4		
LAFAYETTE	MS	4	GRENADA	MS	4		
LEE	MS	5	LAFAYETTE	MS	4		
LEFLORE	MS	7	TIPPAH	MS	4		
MARSHALL	MS	27	ALCORN	MS	2		
MONTGOMERY	MS	2	CALHOUN	MS	2		
PANOLA	MS	15	MONTGOMERY	MS	2		
PONTOTOC	MS	1	TUNICA	MS	2		
PRENTISS	MS	1	CARROLL	MS	1		
QUITMAN	MS	6	CLAIBORNE	MS	1		
STONE	MS	1	HINDS	MS	1		
TATE	MS	21	ITAWAMBA	MS	1		
TIPPAH	MS	4	PONTOTOC	MS	1		
TUNICA	MS	2	PRENTISS	MS	1		
UNION	MS	1	STONE	MS	1		
WASHINGTON	MS	1	UNION	MS	1		
YALOBUSHA	MS	8	WASHINGTON	MS	1		
BENTON	TN	4	14.8% 225	SHELBY	TN	785	
CARROLL	TN	8		MADISON	TN	41	
CHESTER	TN	5		FAYETTE	TN	32	
CROCKETT	TN	2		HARDEMAN	TN	25	
DAVIDSON	TN	1		TIPTON	TN	25	
DECATUR	TN	2		GIBSON	TN	22	
DYER	TN	19		LAKE	TN	20	
FAYETTE	TN	32		DYER	TN	19	
GIBSON	TN	22		HARDIN	TN	15	
HARDEMAN	TN	25		McNAIRY	TN	15	
HARDIN	TN	15		LAUDERDALE	TN	13	
HAYWOOD	TN	5		WEAKLEY	TN	11	
HENDERSON	TN	8		CARROLL	TN	8	
HUMPHREY	TN	1		HENDERSON	TN	8	
LAKE	TN	20		OBION	TN	6	
LAUDERDALE	TN	13		CHESTER	TN	5	
MADISON	TN	41		HAYWOOD	TN	5	
McNAIRY	TN	15		BENTON	TN	4	
MONTGOMERY	TN	4		MONTGOMERY	TN	4	
OBION	TN	6		CROCKETT	TN	2	
SHELBY	TN	785	DECATUR	TN	2		
TIPTON	TN	25	DAVIDSON	TN	1		
WEAKLEY	TN	11	HUMPHREY	TN	1		
		OTHER STATES	14			OTHER STATES	14
TOTAL		1524	1524	TOTAL		1524	

Source: Delta Medical Center Management

Note: Admissions differ slightly from discharges of 1500 reported in DMC 2012 JAR.



Supplemental Table: Delta Medical Center					
Behavioral Health Admissions--2012 (Page 2 of 2)					
C. DELTA MEDICAL CENTER					
CY2012 BEHAVIORAL HEALTH ADMISSIONS					
BY NUMBER OF ADMISSIONS					
COUNTY	STATE	ADMITS	CUMULATIVE ADMITS	COUNTY % OF ADMITS	CUMULATIVE PERCENT
SHELBY	TN	785	785	51.5%	51.5%
DESOTO	MS	89	874	5.8%	57.3%
CRITTENDEN	AR	68	942	4.5%	61.8%
MADISON	TN	41	983	2.7%	64.5%
FAYETTE	TN	32	1015	2.1%	66.6%
MARSHALL	MS	27	1042	1.8%	68.4%
MISSISSIPPI	AR	26	1068	1.7%	70.1%
HARDEMAN	TN	25	1093	1.6%	71.7%
TIPTON	TN	25	1118	1.6%	73.4%
GIBSON	TN	22	1140	1.4%	74.8%
CRAIGHEAD	AR	21	1161	1.4%	76.2%
TATE	MS	21	1182	1.4%	77.6%
LAKE	TN	20	1202	1.3%	78.9%
DYER	TN	19	1221	1.2%	80.1%
PHILLIPS	AR	18	1239	1.2%	81.3%
SAINT FRANCIS	AR	17	1256	1.1%	82.4%
POINSETT	AR	16	1272	1.0%	83.5%
PANOLA	MS	15	1287	1.0%	84.4%
HARDIN	TN	15	1302	1.0%	85.4%
McNAIRY	TN	15	1317	1.0%	86.4%
LAWRENCE	AR	13	1330	0.9%	87.3%
LAUDERDALE	TN	13	1343	0.9%	88.1%
GREENE	AR	11	1354	0.7%	88.8%
WEAKLEY	TN	11	1365	0.7%	89.6%
RANDOLPH	AR	9	1374	0.6%	90.2%
COAHOMA	MS	9	1383	0.6%	90.7%
YALOBUSHA	MS	8	1391	0.5%	91.3%
CARROLL	TN	8	1399	0.5%	91.8%
HENDERSON	TN	8	1407	0.5%	92.3%
LEFLORE	MS	7	1414	0.5%	92.8%
QUITMAN	MS	6	1420	0.4%	93.2%
OBION	TN	6	1426	0.4%	93.6%
BENTON	MS	5	1431	0.3%	93.9%
LEE	MS	5	1436	0.3%	94.2%
CHESTER	TN	5	1441	0.3%	94.6%
HAYWOOD	TN	5	1446	0.3%	94.9%
CROSS	AR	4	1450	0.3%	95.1%
BOLIVAR	MS	4	1454	0.3%	95.4%
GRENADA	MS	4	1458	0.3%	95.7%
LAFAYETTE	MS	4	1462	0.3%	95.9%
TIPPAH	MS	4	1466	0.3%	96.2%
BENTON	TN	4	1470	0.3%	96.5%
MONTGOMERY	TN	4	1474	0.3%	96.7%
JACKSON	AR	3	1477	0.2%	96.9%
LEE	AR	3	1480	0.2%	97.1%
PULASKI*	AR	2	1482	0.1%	97.2%
ALCORN	MS	2	1484	0.1%	97.4%
CALHOUN	MS	2	1486	0.1%	97.5%
MONTGOMERY	MS	2	1488	0.1%	97.6%
TUNICA	MS	2	1490	0.1%	97.8%
CROCKETT	TN	2	1492	0.1%	97.9%
DECATUR	TN	2	1494	0.1%	98.0%
CLAY	AR	1	1495	0.1%	98.1%
FULTON	AR	1	1496	0.1%	98.2%
POPE*	AR	1	1497	0.1%	98.2%
SHARP	AR	1	1498	0.1%	98.3%
WOODRUFF	AR	1	1499	0.1%	98.4%
CARROLL	MS	1	1500	0.1%	98.4%
CLAIBORNE*	MS	1	1501	0.1%	98.5%
HINDS*	MS	1	1502	0.1%	98.6%
ITAWAMBA	MS	1	1503	0.1%	98.6%
PONTOTOC	MS	1	1504	0.1%	98.7%
PRENTISS	MS	1	1505	0.1%	98.8%
STONE*	MS	1	1506	0.1%	98.8%
UNION	MS	1	1507	0.1%	98.9%
WASHINGTON	MS	1	1508	0.1%	99.0%
DAVIDSON	TN	1	1509	0.1%	99.0%
HUMPHREY	TN	1	1510	0.1%	99.1%
UNKNOWN	OTHER STATES	14	1524	0.9%	100.0%
TOTAL		1524			

D. DELTA MEDICAL CENTER					
CY2012 BEHAVIORAL HEALTH ADMISSIONS					
PRIMARY SERVICE AREA (86% OF ADMISSIONS) BY STATE					
COUNTY	STATE	ADMITS	STATE TOTAL	STATE % OF ADMITS	
CRITTENDEN	AR	68			
MISSISSIPPI	AR	26			
CRAIGHEAD	AR	21			
PHILLIPS	AR	18			
SAINT FRANCIS	AR	17			
POINSETT	AR	16	166	10.89%	
DESOTO	MS	89			
MARSHALL	MS	27			
TATE	MS	21			
PANOLA	MS	15	152	9.97%	
SHELBY	TN	785			
MADISON	TN	41			
FAYETTE	TN	32			
HARDEMAN	TN	25			
TIPTON	TN	25			
GIBSON	TN	22			
LAKE	TN	20			
DYER	TN	19			
HARDIN	TN	15			
McNAIRY	TN	15	999	65.55%	
TOTAL PSA		1317	1317	86.42%	

LAWRENCE	AR	13			
GREENE	AR	11			
RANDOLPH	AR	9			
CROSS	AR	4			
JACKSON	AR	3			
LEE	AR	3			
PULASKI*	AR	2			
CLAY	AR	1			
FULTON	AR	1			
POPE*	AR	1			
SHARP	AR	1			
WOODRUFF	AR	1	50	3.28%	
COAHOMA	MS	9			
YALOBUSHA	MS	8			
LEFLORE	MS	7			
QUITMAN	MS	6			
BENTON	MS	5			
LEE	MS	5			
BOLIVAR	MS	4			
GRENADA	MS	4			
LAFAYETTE	MS	4			
TIPPAH	MS	4			
ALCORN	MS	2			
CALHOUN	MS	2			
MONTGOMERY	MS	2			
TUNICA	MS	2			
CARROLL	MS	1			
CLAIBORNE*	MS	1			
HINDS*	MS	1			
ITAWAMBA	MS	1			
PONTOTOC	MS	1			
PRENTISS	MS	1			
STONE*	MS	1			
UNION	MS	1			
WASHINGTON	MS	1	73	4.79%	
LAUDERDALE	TN	13			
WEAKLEY	TN	11			
CARROLL	TN	8			
HENDERSON	TN	8			
OBION	TN	6			
CHESTER	TN	5			
HAYWOOD	TN	5			
BENTON	TN	4			
MONTGOMERY	TN	4			
CROCKETT	TN	2			
DECATUR	TN	2			
DAVIDSON	TN	1			
HUMPHREY	TN	1	70	4.59%	
TOTAL SSA		193	193		
TOTAL SA		1510	1510	99.1%	

Source: Delta Medical Center Management

Notes:

1. Asterisked counties omitted from service area maps, being both noncontiguous and very distant from other service area counties.
2. Primary service area counties are unshaded.



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October 29, 2013

**17. Section C. (Need) Item5. (Utilization of other providers' services in the Applicant's service area)**

**(a) Table Fourteen-A of psychiatric bed utilization in the Tennessee primary service area is noted for 2010-2012. Please add a column to each chart that reflects occupancy on staff beds.**

The applicant has been able to add more data to originally submitted Tables Fourteen-A and -B.

Attached following this page are Supplemental Tables Fourteen-A and -B, which are now numbered as revised ages 48R and 49R.

Staffed bed data has been added to Fourteen-A for the Tennessee primary service area. No data is available for staffed bed data in the Arkansas and Mississippi service areas. Fourteen-B provides the only publicly available data the applicant found.



**Supplemental Table Fourteen-A: Psychiatric Bed Utilization in Tennessee Primary Service Area  
2010-2012**

**2010 Joint Annual Reports of Hospitals**

Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Behavioral Admissions	Behavioral Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds	Occupancy on Staffed Beds
Community Behavioral Health--psych beds	Shelby	50	50	543	5,069	9	14	27.9%	27.8%
Lakeside Behavioral Health System--psych beds	Shelby	290	290	5,777	56,063	10	154	53.0%	53.0%
Lakeside Behavioral Health System--CD beds	Shelby	15	15	626	5,890	9	16	107.6%	107.6%
Memphis Mental Health Institute	Shelby	75	76	1,901	21,889	12	60	78.9%	80.0%
Delta Medical Center	Shelby	90	90	1,654	20,616	12	56	62.8%	62.8%
Methodist University Healthcare--psych beds	Shelby	34	34	513	8,029	16	22	64.7%	64.7%
St. Francis Hospital--psych beds	Shelby	102	102	2,022	17,520	9	48	47.1%	47.1%
<b>Shelby County Subtotal</b>		<b>656</b>	<b>657</b>	<b>13,036</b>	<b>135,076</b>	<b>10</b>	<b>370</b>	<b>56.3%</b>	<b>56.4%</b>
Western Mental Health Institute	Hardeman	162	250	1,341	44,339	33	121	48.6%	75.0%
Pathways of Tennessee	Madison	25	25	885	3,418	4	9	37.5%	37.5%
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>843</b>	<b>932</b>	<b>15,262</b>	<b>182,833</b>	<b>12</b>	<b>501</b>	<b>53.7%</b>	<b>59.4%</b>

**2011 Joint Annual Reports of Hospitals**

Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Behavioral Admissions	Behavioral Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds	Occupancy on Staffed Beds
Community Behavioral Health--psych beds	Shelby	50	50	694	6,011	9	16	32.9%	32.9%
Lakeside Behavioral Health System--psych beds	Shelby	290	290	6,247	59,671	10	163	56.4%	56.4%
Lakeside Behavioral Health System--CD beds	Shelby	15	15	565	3,466	6	9	63.3%	63.3%
Memphis Mental Health Institute	Shelby	75	75	1,853	20,615	11	56	75.3%	75.3%
Delta Medical Center	Shelby	90	90	1,574	20,834	13	57	63.4%	63.4%
Methodist University Healthcare--psych beds	Shelby	34	34	630	9,385	15	26	75.6%	75.6%
St. Francis Hospital--psych beds	Shelby	102	102	2,043	16,199	8	44	43.5%	43.5%
<b>Shelby County Subtotal</b>		<b>656</b>	<b>656</b>	<b>13,606</b>	<b>136,181</b>	<b>10</b>	<b>373</b>	<b>56.9%</b>	<b>56.9%</b>
Western Mental Health Institute	Hardeman	150	200	1,386	43,427	31	119	59.5%	79.3%
Pathways of Tennessee	Madison	25	25	691	3,085	4	8	33.8%	33.8%
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>831</b>	<b>881</b>	<b>15,683</b>	<b>182,693</b>	<b>12</b>	<b>501</b>	<b>56.8%</b>	<b>60.2%</b>

**2012 Joint Annual Reports of Hospitals**

Facility Name	County	Staffed Psychiatric Beds	Assigned/ Licensed Psychiatric Beds	Behavioral Admissions	Behavioral Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds	Occupancy on Staffed Beds
Community Behavioral Health--psych beds	Shelby	19	50	772	6,655	9	18	36.5%	96.0%
Lakeside Behavioral Health System--psych beds	Shelby	290	290	6,606	63,508	10	174	60.0%	60.0%
Lakeside Behavioral Health System--CD beds	Shelby	15	15	636	3,903	6	11	71.3%	71.3%
Memphis Mental Health Institute	Shelby	75	75	1,440	21,630	15	59	79.0%	79.0%
Delta Medical Center	Shelby	90	90	1,500	22,340	15	61	68.0%	68.0%
Methodist University Healthcare--psych beds	Shelby	34	34	619	9,748	16	27	78.5%	78.5%
St. Francis Hospital--psych beds	Shelby	102	102	2,008	16,843	8	46	45.2%	45.2%
<b>Shelby County Subtotal</b>		<b>606</b>	<b>656</b>	<b>13,581</b>	<b>144,627</b>	<b>11</b>	<b>396</b>	<b>60.4%</b>	<b>65.4%</b>
Western Mental Health Institute	Hardeman	150	187	1,211	41,617	34	114	61.0%	76.0%
Pathways of Tennessee	Madison	25	25	590	2,846	5	8	31.2%	31.2%
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>781</b>	<b>868</b>	<b>15,382</b>	<b>189,090</b>	<b>12</b>	<b>518</b>	<b>59.7%</b>	<b>66.3%</b>

**ADDITIONAL DATA ON CHANGES IN 2013**

Facility Name	County	2013 Staffed Psychiatric Beds	2013 AVAILABLE Psychiatric Beds
Community Behavioral Health--psych beds	Shelby	0	0
Lakeside Behavioral Health System--psych beds	Shelby	290	290
Lakeside Behavioral Health System--CD beds	Shelby	15	15
Memphis Mental Health Institute	Shelby	60	60
Delta Medical Center	Shelby	90	90
Methodist University Healthcare--psych beds	Shelby	34	34
St. Francis Hospital--psych beds	Shelby	102	102
<b>Shelby County Subtotal</b>		<b>591</b>	<b>591</b>
Western Mental Health Institute	Hardeman	150	187
Pathways of Tennessee	Madison	23	25
<b>TN PRIMARY SERVICE AREA TOTALS</b>		<b>764</b>	<b>803</b>

1. TDH Joint Annual Reports of Hospitals, 2010-2012 (Provisional)
2. 2013 staffed and available bed data at CBH from DMHSAS telephone conference and DMHSAS website
3. 2013 staffed and available bed data at MMHI from CEO on 10-7-13. 25 licensed beds are now occupied by SE Mental Health Center staff.
4. Hospital-based units in 2013 assumed to be staffed at 2012 reported levels.



**Supplemental Table Fourteen-B: Psychiatric Bed Utilization in Arkansas and Mississippi Primary Service Area**

<b>2009</b>									
State	Facility Name	County	City	Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
AR	St. Bernard's Medical Center	Craighead	Jonesboro	60	na	na	na	na	na
AR	Great Plains Medical Center	Mississippi	Blytheville	20	na	na	na	na	na
AR	Forrest City Medical Center	St. Francis	Forrest City	18	na	na	na	na	na
MS	Parkland Behavioral Health- Psychiatric	DeSoto	Olive Branch	74	na	27,287	na	74.8	101.0%
MS	Parkland Behavioral Health-Chem. Dependency	DeSoto	Olive Branch	14	na	na	na	8.0	57.1%
MS	Tri-Lakes Medical Center- Psychiatric	Panola	Batesville	32	na	5,988	na	16.4	51.3%
MS	Tri-Lakes Medical Center- Chem. Dependency	Panola	Batesville	23	na	na	na	10.6	46.1%
MS	Alliance Healthcare System	Marshall	Holly Springs	20	na	1,787	na	4.9	24.5%
MS	North Oaks Regional Medical Center	Tate	Senatobia	12	na	2,114	na	5.8	48.3%
<b>MS PRIMARY SERVICE AREA TOTALS</b>				<b>273</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>120.5</b>	<b>44.1%</b>
<b>2010</b>									
State	Facility Name	County	City	Licensed Psychiatric Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
AR	St. Bernard's Medical Center	Craighead	Jonesboro	60	na	na	na	na	na
AR	Great Plains Medical Center	Mississippi	Blytheville	20	na	na	na	na	na
AR	Forrest City Medical Center	St. Francis	Forrest City	18	na	na	na	na	na
MS	Parkland Behavioral Health- Psychiatric	DeSoto	Olive Branch	74	na	19,786	na	54.2	73.3%
MS	Parkland Behavioral Health-Chem. Dependency	DeSoto	Olive Branch	14	na	na	na	5.6	40.0%
MS	Tri-Lakes Medical Center- Psychiatric	Panola	Batesville	32	na	2,541	na	7.0	21.8%
MS	Tri-Lakes Medical Center- Chem. Dependency	Panola	Batesville	23	na	na	na	5.7	24.9%
MS	Alliance Healthcare System	Marshall	Holly Springs	20	na	1,421	na	3.9	19.5%
MS	North Oaks Regional Medical Center	Tate	Senatobia	12	na	2,097	na	5.7	47.9%
<b>MS PRIMARY SERVICE AREA TOTALS</b>				<b>175</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>82.1</b>	<b>46.9%</b>

Notes: 1. Arkansas does not release hospital-specific data. Bed complements were published by Arkansas Hospital Association.  
 2. Mississippi publishes very limited data, available from "State Health Plan" tables on web, in which 2010 utilization data is the most recent.



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**(b) What does DMHSAS stand for?**

It stands for the Department of Mental Health and Substance Abuse Services, the State agency that licenses free-standing behavioral health hospitals. Its previous name, changed recently, was the Department of Mental Health and Developmental Disabilities.

**(c) Is there a need to restore 60 psychiatric beds to the proposed service area when there is only 2012 59.7% psychiatric beds occupancy in the proposed service area?**

The applicant believes that there is a need for this project for the reasons stated in the application. Occupancy of beds in the area is not the only dimension of need. The project will offer one of the service area's most comprehensive programs for adolescents and adults. It will coordinate admissions with an affiliated general medical-surgical hospital so that patients with medical co-morbidities may be efficiently placed in the appropriate program. It will increase financial accessibility in Memphis. It will be located in a population growth sector that is now underserved in mental healthcare.

**18. Section C. (Need) Item 6. (The Applicant's Historical and Projected Utilization)**

The projected utilization in Years One and Year Two of the proposed project is noted. However, please provide Projected Utilization in Year One and Year Two for each of the four proposed psychiatric units. This will assist in assessing the impact of these units to providers that only provide one type of psychiatric service such as inpatient gero-psych or inpatient adolescent psych.

Projected Admissions By Unit, Years One and Two				
	Year One		Year Two	
	Admissions	Patient Days	Admissions	Patient Days
Mental Health, Age 65+	243	3,281	408	4,996
Mental Health, Age 18-64	280	3,220	487	5,481
Mental Health, Age 13-17	335	2,178	587	3,844
Chemical Dependency	162	1,118	294	1,910
Totals	1,020	9,795	1,776	16,231



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**19. Section C. (Economic Feasibility) Items 1 and 2. Project Cost Chart**

**(a) The fair market of the land parcel appears to be \$4,500,000. Please clarify how the fair market value of the project site was calculated in the Project Cost Chart.**

The June 2013 site commitment letter from Baptist Memorial Health Services stated a value of \$4,500,000 for the 51-acre tract to be transferred to the applicant for the hospital project. However, as shown on the site plan in the Attachments, the actual hospital site will require only one parcel of approximately 19 acres. The remaining 32 acres will be used for public streets and for other types of development. So the site that should be allocated to Crestwyn was calculated at 19 acres / 51 acres, or approximately 37.3%, of the Baptist property. The \$4,500,000 full land value, multiplied by 37.3%, is the \$1,678,500 site value entered on line B3 of the Project Cost Chart.

**(b) The documentation of \$25,000,000 from Acadia's CFO is noted. The actual capital cost on the Project Costs Chart is \$25,197,362. Please provide documentation of the availability of the \$197,362 difference.**

A revised CFO funding letter for \$25,200,000 has been attached in response to your question #6(h) above.

**20. Section C. (Economic Feasibility) Item 3**

**Please verify the construction cost of \$250.00 PSF in Table Two.**

This number has been revised to \$244.85. A revised page 55R has been provided in response to question #5(a) above, along with several other pages with the revised number.

**21. Section C. (Economic Feasibility) Item 4**

**(a) Physician salaries and wages in the amount of \$350,000 in Year One and \$450,000 in Year Two are noted in the Projected Data Chart. Please clarify the number of FTE's assigned to this expense category.**

Those FTE's are now set forth in an amended Staffing Table, provided in response to question #26 below.



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**(b)(1) Please clarify if the Medical Director will also be an addictionologist.**

Each program will have a Medical Director. In addition, there will be a Medical Director for the hospital. These positions will be contracted professionals initially. A qualified addictionologist will be recruited to direct the Chemical Dependency program.

**(b)(2) Please complete the Projected Data Chart "other expenses" category that are attached to the end of this document.**

Revised page 58R is attached following this page.

**22. Section C. (Economic Feasibility) Item 5**

**Table Sixteen identifying the project's average gross charge, average deduction from operating revenue, and average net charge is noted. Please revise the chart using total gross operating revenue rather than gross inpatient service revenue in calculating the project's average gross charge, average deduction from operating revenue, and average net charge.**

The requested changes have been made. Attached after this page is revised page 59R.

**23. Section C. (Economic Feasibility) 6b.**

**Please complete the referenced chart on page 61 titled Crestwyn Behavioral Health, Gross Charge Data for Most Frequent Services".**

The revised chart is attached after this page, as revised page 61R.



Crestwyn Behavioral Health  
D9: Detail of Other Operating Expenses

	Year 1	Year 2
Professional Fees	\$45,580	\$102,200
Contract Services	\$158,860	\$288,600
Repairs	\$85,150	\$110,000
Marketing	\$125,555	\$225,350
Travel	\$15,500	\$25,240
Education	\$22,500	\$48,400
Utilities	\$120,000	\$126,000
Dues	\$42,500	\$55,770
Postage	\$14,150	\$18,885
Insurance	\$145,550	\$310,880
Other	\$20,193	\$54,009
	<hr/>	<hr/>
	\$795,538	\$1,365,334



**C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.**

<b>Table Sixteen: Average Charges, Deductions, Net Charges, Net Operating Income</b>		
	<b>2016</b>	<b>2017</b>
Patient Days	9,795	16,225
Admissions or Discharges	1,020	1,776
Average Total Gross Charge Per Day	\$1,438	\$1,530
Average Total Gross Charge Per Admission	\$13,804	\$13,978
Average Deduction from Operating Revenue per Day	\$625	\$689
Average Deduction from Operating Revenue per Admission	\$6,005	\$6,290
Average Net Charge (Net Operating Revenue) Per Day	\$812	\$842
Average Net Charge (Net Operating Revenue) Per Admission	\$7,799	\$7,688
Average Net Operating Income after Expenses, Per Day	\$79	\$110
Average Net Operating Income after Expenses, Per Admission	\$754	\$1,004

*Source: Acadia Healthcare corporate development staff. Data calculations are from the Crestwyn Projected Data Chart preceding this page. Dollars are rounded.*

**C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.**

Not applicable. This is a proposed new facility.



**CRESTWYN BEHAVIORAL HEALTH  
GROSS CHARGE DATA FOR MOST FREQUENT SERVICES**

**SERVICE: Psychiatric Care**

DRG	Descriptor	Current Medicare Allowable	Average Gross Charge/Case			Utilization (Admissions)		
			Current	Year 1	Year 2	Current	Year 1	Year 2
885	PSYCHOSES	1,518.95		21,259	22,109		411	713
57	DEGENERATIVE NERVOUS SYSTEM DISORDE	2,231.50		32,090	33,374		103	178
884	ORGANIC DISTURBANCES & MENTAL RETAR	2,052.87		32,329	33,622		69	119
881	DEPRESSIVE NEUROSES	1,668.47		13,711	14,259		69	119
56	DEGENERATIVE NERVOUS SYSTEM DISORDE	2,675.14		34,533	35,914		34	59

**SERVICE: Chemical Dependency**

DRG	Descriptor	Current Medicare Allowable	Average Gross Charge/Case			Utilization (Admissions)		
			Current	Year 1	Year 2	Current	Year 1	Year 2
897	ALCOHOL/DRUG ABUSE OR DEPENDENCE W/	1,740.67		13,024	12,523		110	227
894	ALCOHOL/DRUG ABUSE OR DEPENDENCE, L	1,840.25		6,850	7,124		100	150
895	ALCOHOL/DRUG ABUSE OR DEPENDENCE W	1,071.00		11,360	11,814		100	150
896	ALCOHOL/DRUG ABUSE OR DEPENDENCE W/	2,630.23		11,919	12,396		25	60



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**24. Section C. (Economic Feasibility) Item 8.**

**Please clarify how a positive cash flow will be attained early in operation because Acadia will be able to triage admissions between Delta Medical Center's and Crestwyn's program to maintain viability at both locations.**

Under Acadia's ownership the past year, Delta Medical Center has recovered from a very weak financial condition, and is now experiencing strong census growth, positive cash flow, and increased earnings. As its medical-surgical services improve with new physician recruitment, it will be able to contribute licensed beds and behavioral health admissions to Crestwyn without jeopardizing its own financial position. Under Acadia's direction, both hospitals will be kept financially viable.

**25. Section C. (Economic Feasibility) Item 10**

**Your response is noted. Please provide a copy of the referenced financial documents provided as attachment C. Economic Feasibility—10.**

Acadia's income statement and balance sheet for CY2012 will be filed under separate cover tomorrow.

**26. Section C. Orderly Development, Item 3**

**(a) The Projected Staffing as listed in Table Twenty is noted. However, please clarify the reason no licensed outpatient psychiatric or chemical dependency therapists are listed even though outpatient revenue is part of the total project cost.**

**(b) Please indicate the reason there are no LADACs (Licensed Addiction Drug and Alcohol Counselors), LPEs (Licensed Psychological Examiners), Psychologists, LCSWs (Licensed Clinical Social Workers), Master's Level Therapist, etc. listed in the Projected Staffing table while the proposed project is an inpatient psychiatric hospital.**

In response to both (a) and (b) above, the applicant has revised job titles and other data in the Staffing Chart (application page 69) to clarify that the facility will be appropriately staffed. This has not changed the salary expense data in the Projected Data Chart. Please see the revised Staffing Chart and its footnotes, p. 69R, attached after this page. The chart now also shows the contracted physicians that will provide medical supervision for the hospital and for each of its four programs.

Also attached is a revised page 7R changing the total FTE's in Year Two to 63.5.



Table Twenty (Revised Supplemental)--Crestwyn Behavioral Health Projected Clinical Staffing				
Position Type (RN, etc.)	Current FTE's	Year One FTE's	Year Two FTE's	Salary Range (Hourly or Annual)
Director of Nursing		1		1 \$100,000 Annual
Outreach Coordinator		2		3 \$54,000 Annual
QA/Infection Control		1		1 \$55,000 Annual
Social Worker/Case Managers		2		3 \$55,000 Annual
Activity Therapist		1		1.5 \$42,000 Annual
Occupational Therapist		1		1 \$65,000 Annual
Registered Nurses		8		12 \$60,000 Annual
Nursing Assistants/Psychiatric Techs		16		24 \$24,000 Annual
Outpatient Therapists		2		3 \$45,000 Annual
LADAC		1		2 \$45,000 Annual
LCSW		3		6 \$42,000 Annual
MSW		3		6 \$40,000 Annual
<b>Total FTE's</b>		41	63.5	
Medical Directors (Contract Employees)				
Hospital Medical Director		0.3		0.5 \$175.00/hr
Adult Unit Director		0.2		0.2 \$150.00/hr
D&A Unit Medical Director		0.2		0.2 \$150.00/hr
Adolescent Unit Director		0.2		0.2 \$150.00/hr
Geriatric Unit Director		0.2		0.2 \$150.00/hr

\* Psychological testing will be performed by LCSW and MSW rather than by Psychologists (PhD).  
Source: Acadia Healthcare



Existing Resources

- Shelby County has three general hospitals with licensed psychiatric bed units, two freestanding psychiatric hospitals (a third recently closed), and an approved 16-bed geropsychiatric hospital that remains unimplemented six years after its CON approval. None of these is located in southeast Shelby County, where Germantown and Collierville have been two of Tennessee's fastest growing cities.

Project Cost, Funding, Financial Feasibility, and Staffing

- The project cost for CON purposes is estimated at \$26,875,862, which includes the market value of the hospital site being contributed by Baptist Memorial Health Services, Inc. and a contingency for purchasing underutilized beds elsewhere in Shelby County, which can be delicensed when Crestwyn opens. The project's cash requirements will be funded entirely by a cash transfer from Acadia Healthcare Company, the parent company of the applicant. The applicant projects that the Crestwyn Behavioral Health facility will have a positive operating margin in Year Two of operation. The new facility will have a professional staff of 63.5 FTE's in Year Two.



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**27. Project Completion forecast Chart**  
**Please complete a Project Completion Forecast Chart.**

It is attached following this page.


Other Items Submitted:

1. The applicant is amending the application to clarify that the first full year of operation of Crestwyn Behavioral Health will be CY2016--not CY2015 as stated in several places. Page 59R has been corrected for the date, and attached at another question in this letter. Attached behind this page are revised pages 10R, 50R, and 60R changing Year One to CY2016.

2. The applicant has identified more psychiatric providers in parts of the Arkansas and Mississippi service area. Their names and bed data are in Supplemental Tables Eleven-B, Eleven-C, and Fourteen-B, attached to prior responses in this letter. Attached behind this page are revised narrative pages 16R, 17R, and 19R, and a revised location map for all service area facilities.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,

  
John Wellborn  
Consultant



**PROJECT COMPLETION FORECAST CHART**

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

1-22-14

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed	8	2-1-14
2. Construction documents approved by TDH	158	7-1-14
3. Construction contract signed	172	7-15-14
4. Building permit secured	186	8-1-14
5. Site preparation completed	246	9-30-14
6. Building construction commenced	247	10-1-14
7. Construction 40% complete	337	1-1-15
8. Construction 80% complete	427	4-1-15
9. Construction 100% complete	517	7-1-15
10. * Issuance of license	531	7-15-15
11. *Initiation of service	546	8-1-15
12. Final architectural certification of payment	606	10-1-15
13. Final Project Report Form (HF0055)	666	12-1-15

**\* For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

**Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**



60 beds at the two existing hospitals. If the agreement is not reached, Delta will delicense 20 psychiatric beds and 40 medical-surgical beds. Either way, Crestwyn's 60 hospital beds will be offset by delicensure of 60 beds elsewhere in the county.

<b>Table Four: Proposed Changes in Assignment of Licensed Hospital Beds at Other Shelby County Hospitals</b>		
<b>Licensed Bed Assignment</b>	<b>Current</b>	<b>Proposed</b>
Delta Medical Center		
General Acute	153	113 (-40) to 153
Adult Psychiatric	90	70 (-20)
Child & Adolescent Psychiatric	na	na
Chemical Dependency	na	na
Total	243	183 (-60) to 233 (-20)
Second <b>Potential</b> Hospital Partner	confidential	(-0) to (-40)

Source: Acadia Healthcare

#### Operation of the Facility

As a licensed inpatient acute care facility, Crestwyn will operate 24 hours daily throughout the year. If granted final CON approval during CY 2014, the project is expected to complete final plan approval and complete construction during 2015. Its first full year of operation will be CY2016.

#### Ownership of the Facility

The CON applicant and prospective licensee is Crestwyn Health Group, LLC. Until the CON is granted, that LLC will be wholly owned by Acadia Merger Sub, LLC, which is wholly owned by Acadia Healthcare Company, Inc. Acadia Healthcare is a Tennessee-based healthcare company that currently operates 49 psychiatric and chemical dependency facilities in 22 States, and Delta Medical Center in Memphis, which provides both psychiatric and general medical-surgical services. Attachment A.4 contains information on the facilities owned by this facility's parent organization.



**C(I).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.**

This is a proposed hospital, so it has no historical utilization. Its utilization during its first two years of operation is projected in the table below.

<b>Table Fifteen: Crestwyn Behavioral Health Projected Utilization Years One and Two 2016-2017</b>		
	<b>Year One</b>	<b>Year Two</b>
Admissions	1,020 admissions	1,776 admissions
Patient Days	9,795 days	16,225 days
Average Daily Census	26.9 patients	44.5 patients
Average Annual Occupancy	44.8%	74.1%

*Source: Acadia corporate management.*



**C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).**

The projected charges for the Crestwyn project in 2016 are consistent with the reported charges for private psychiatric hospitals in this area in 2012, when allowance is made for periodic charge increases by existing hospitals, over a three-year period.

The following page contains a chart showing the most frequent procedures to be performed, with their current Medicare reimbursement, and their projected Years One and Two utilization and average gross charges.



If that system does not join the project and delicense some of its own psychiatric beds, then Crestwyn will be adding only 40 new psychiatric beds to the area--through conversion of its own older, underutilized medical-surgical beds. It should be noted that those 40 additional psychiatric beds represent barely more than half (53%) of the licensed psychiatric beds that have been **removed** from use in Shelby County in the past year, by bed closures at two Memphis psychiatric hospitals.

(a) Improved Distribution of Resources Within the County

Table Seven below shows distances and drive times between the Crestwyn project site in Germantown, and existing providers of acute inpatient psychiatric services in the 20-county primary service area. Following the table are maps showing those provider locations in the primary service area. Crestwyn's Germantown site is a significant drive time (approximately 25-30 minutes) from almost all other Shelby County providers of inpatient psychiatric care who are not part of this project.

Table Seven: Distances and Drive Times From Project Site To Acute Psychiatric Care Beds in the 20-County Primary Service Area, CY2012				
Provider	Type of Facility	County & State	Miles Distance	Drive Time
Behavioral Health Care Center ( <i>approved/unimplemented</i> )	Psychiatric Hospital	Shelby TN	25.4 miles	29 min.
Community Behavioral Health ( <i>closed</i> )	Psychiatric Hospital	Shelby TN	22.2 miles	27 min.
Delta Medical Center	Unit of M/S Hospital	Shelby TN	12.7 miles	19 min.
Lakeside Behavioral Health	Psychiatric Hospital	Shelby TN	14.6 miles	27 min.
Memphis Mental Health Institute ( <i>State Hospital</i> )	Psychiatric Hospital	Shelby TN	22.1 miles	26 min.
Methodist Univ. Healthcare	Unit of M/S Hospital	Shelby TN	21.6 miles	25 min.
Saint Francis Hospital	Unit of M/S Hospital	Shelby TN	9.0 miles	14 min.
Pathways of TN (Jackson)	Psychiatric Hospital	Madison TN	75.6 miles	83 min.
Western Mental Health Institute ( <i>State Hospital, Bolivar</i> )	Psychiatric Hospital	Hardeman TN	58.4 miles	65 min.



Forrest City Medical Center	Unit of M/S Hospital	St Francis AR	67.3 miles	68 min.
St.Bernard Behavioral Health	Unit of M/S Hospital	Craighead AR	91.9 miles	89 min.
Great River Medical Center	Unit of M/S Hospital	Mississippi AR	90.9 miles	92 min.
Parkwood Behavioral Health	Psychiatric Hospital	DeSoto MS	11.2 miles	21 min.
Alliance Healthcare System	Unit of M/S Hospital	Marshall MS	30.4 miles	37 min.
Tri-Lake Medical Center	Unit of M/S Hospital	Panola MS	72.6 miles	68 min.
North Oak Regional Medical Center	Unit of M/S Hospital	Tate MS	50.0 miles	50 min.

Source: Google Maps, 9-26-13 & 10-18-13

Addresses of Providers in Table Above	
Behavioral Health Care Center (approved/unimplemented)	Second Ave. North & Pear Avenue, Memphis, TN 38105
Community Behavioral Health (closed)	135 Pauline Street, Memphis, TN 38105
Delta Medical Center	3000 Getwell Road, Memphis, TN 38118
Lakeside Behavioral Health	2911 Brunswick Road, Memphis, TN 38133
Memphis Mental Health Institute (State Hospital)	951 Court Avenue, Memphis, TN 38103
Methodist Univ. Healthcare	1265 Union Avenue, Memphis, TN 38104
Saint Francis Hospital	5959 Park Avenue, Memphis, TN 38119
Pathways of Tennessee	238 Summar Drive, Jackson, TN 38301
Western Mental Health Institute (State Hospital)	11100 US Highway 64, Bolivar, TN 38008
Forrest City Medical Center	1601 New Castle Road, Forrest City, AR 72335
St.Bernard Behavioral Health	2712 E. Johnson Avenue, Jonesboro, AR 72401
Great River Medical Center	1520 North Division Street, Blytheville, AR 72315
Parkwood Behavioral Health	8135 Goodman Road, Olive Branch, MS 38654
Alliance Healthcare System	1430 Highway 4 East, Holly Springs, MS 38635
Tri-Lake Medical Center	303 Medical Center Drive, Batesville, MS 38606
North Oak Medical Center	401 Getwell Drive, Senatobia, MS 38668



Key to Maps of Acute Psychiatric Hospital Beds in the 20-County Primary Service AreaShelby County

1. Behavioral Health Care Center (16-bed geropsychiatric hospital, approved six years ago; unimplemented)
2. Community Behavioral Health (psychiatric hospital, closed in 2013)
3. Delta Medical Center (Acadia Healthcare general hospital with hospital-based psychiatric units)
4. Lakeside Behavioral Health (psychiatric hospital)
5. Memphis Mental Health Institute (State hospital)
6. Methodist University Healthcare (hospital-based psychiatric unit)
7. Saint Francis Hospital (hospital-based psychiatric unit)

Other Counties in Tennessee, Arkansas, Mississippi

8. Pathways of Tennessee, Jackson, Madison Co., TN (freestanding psychiatric hospital)
9. Western Mental Health Institute, Bolivar, Hardeman Co., TN (State psychiatric hospital)
10. Forrest City Medical Center, Forrest City, St. Francis Co., AR (hospital-based unit)
11. St. Bernard Behavioral Health, Jonesboro, Craighead Co., AR (hospital-based unit)
12. Great River Medical Center, Blytheville, Mississippi Co., AR (hospital-based unit)
13. Parkwood Behavioral Health, Olive Branch, DeSoto Co., MS (psychiatric hospital)
14. Alliance Healthcare, Holly Springs, Marshall Co., MS (hospital-based unit)
15. Tri-Lake Medical Center, Batesville, Panola Co., MS (hospital-based unit)
16. North Oak Medical Center, Senatobia, Tate Co., MS (hospital-based unit)



**CRESTWYN BEHAVIORAL HEALTH  
PRIMARY & SECONDARY SERVICE AREAS**

## ◆ Psychiatric Treatment Facilities in PSA

**Jackson**



**The Commercial Appeal  
Affidavit of Publication**

**STATE OF TENNESSEE  
COUNTY OF SHELBY**

Personally appeared before me Patrick Maddox, a Notary Public, Ramona Hale, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that he is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached notice was published in the following edition of The Commercial Appeal to-wit:

**October 10, 2013**

Ramona Hale

Subscribed and sworn to before me this 11<sup>th</sup> day of October, 2013

Patrick Maddox Notary Public

My commission expires 2/15/14



My Commission Expires 02/15/2016



without further notice, upon the time of sale set forth in the notice of sale, the property shall be sold as is, with all improvements, fixtures, and other personal property, and the sale will be subject to all liens, claims, and encumbrances as well as any prior liens or encumbrances as well as any matter that an accurate survey of the premises might disclose. If the U.S. Department of Treasury/IRS, the State of Tennessee Department of Revenue, or the State of Tennessee Department of Labor and Workforce Development are listed as interested parties in the advertisement, then the Notice of this foreclosure is being given to them and the sale will be subject to the applicable governmental entities' right to redeem the property, as required by 26 U.S.C. § 7425 and T.C.A. § 67-1-1433. The sale will be conducted subject to (1) confirmation that the sale is not prohibited under the U.S. Bankruptcy Code and (2) to final confirmation and audit of the status of the loan with the holder of the Deed of Trust. The notice requirements of T.C.A. § 35-5-117 were satisfied prior to the first publication of the Notice of Substitution Trustee's Sale. Substitution Trustee reserves the right to adjourn the day of the sale to another day, time and place certain without further publication, upon announcement at the time and place for the sale set forth above. McCurdy & Candler, TN, LLC, 3525 Piedmont Road NE, Six Piedmont Center, Suite 700 Atlanta, GA 30305 (404) 373-1612 www.mccurdy-candler.com File No. 13-04303/FHA Ad Run Dates: 9/26/2013, 10/3/2013, and 10/10/2013. THIS LAW FIRM IS ACTING AS A DEBT COLLECTOR AND IS ATTEMPTING TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE. Ad #60478

**NOTICE OF SUBSTITUTE TRUSTEE'S SALE**  
WHEREAS, default has occurred in the performance of the covenants, terms and conditions of a Deed of Trust dated June 27, 2008, executed by JACK LELAND, JR. A/K/A JACK P. LELAND, JR. AND ARIONNE NETTLES-LELAND, conveying certain real property therein described to ROBERT M. WILSON, JR., as Trustee, as same appears of record in the Register's Office of Shelby County, Tennessee recorded July 23, 2008, at Instrument Number 08097399; and WHEREAS, the beneficial interest of said Deed of Trust was last transferred and assigned to BANK OF AMERICA, N.A., SUCCESSOR TO THE FIRST FIDELITY AND SECURITY BANK OF

MEMPHIS, the direct address of the property is believed to be 3138 Taransay, Memphis, TN 38128. In the event of any discrepancy between this street address and the legal description of the property, the legal description shall control. CURRENT OWNER(S): FRED D. EDINGTON, SR. OTHER INTERESTED PARTIES: NDEPENDENCE SQUARE CONDOMINIUMS ORETHA W. EDINGTON The sale of the above-described property shall be subject to all matters shown on any recorded plat; any unpaid taxes; any restrictive covenants, easements or setback lines that may be applicable; any prior liens or encumbrances as well as any priority created by a fixture filing; and to any matter that an accurate survey of the premises might disclose. This property is being sold with the express reservation that it is subject to confirmation by the lender or Substitute Trustee. This sale may be rescinded at any time. The right is reserved to adjourn the day of the sale to another day, time and place certain without further publication, upon announcement at the time and place for the sale set forth above. All right and equity of redemption, statutory or otherwise, homestead, and dower are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee. The Property is sold as is, where is, without representations or warranties of any kind, including fitness for a particular use or purpose. THIS LAW FIRM IS ATTEMPTING TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE. Rubin Lublin TN, PLLC, Substitute Trustee 119 S. Main Street, Suite 500 Memphis, TN 38103 www.rublinlublin.com/property-listings.php Tel: (901) 813-0992 Fax: (404) 601-8846 Ad #60722- 2013-10-10 2013-10-17 2013-10-24

**NOTICE OF SUBSTITUTE TRUSTEE'S SALE**  
WHEREAS, default has occurred in the performance of the covenants, terms and conditions of a Deed of Trust dated November 1, 2007, executed by MELVIN KIMMONS, conveying certain real property therein described to PRLAP, INC., as Trustee, as same appears of record in the Register's Office of Shelby County, Tennessee recorded November 20, 2007, at Instrument Number 07174045; and WHEREAS, the beneficial interest of said Deed of Trust was last

transferred to the First Fidelity and Security Bank of Memphis, the direct address of the property is believed to be 3138 Taransay, Memphis, TN 38128. In the event of any discrepancy between this street address and the legal description of the property, the legal description shall control. CURRENT OWNER(S): FRED D. EDINGTON, SR. OTHER INTERESTED PARTIES: NDEPENDENCE SQUARE CONDOMINIUMS ORETHA W. EDINGTON The sale of the above-described property shall be subject to all matters shown on any recorded plat; any unpaid taxes; any restrictive covenants, easements or setback lines that may be applicable; any prior liens or encumbrances as well as any priority created by a fixture filing; and to any matter that an accurate survey of the premises might disclose. This property is being sold with the express reservation that it is subject to confirmation by the lender or Substitute Trustee. This sale may be rescinded at any time. The right is reserved to adjourn the day of the sale to another day, time and place certain without further publication, upon announcement at the time and place for the sale set forth above. All right and equity of redemption, statutory or otherwise, homestead, and dower are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee. The Property is sold as is, where is, without representations or warranties of any kind, including fitness for a particular use or purpose. THIS LAW FIRM IS ATTEMPTING TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE. Rubin Lublin TN, PLLC, Substitute Trustee 119 S. Main Street, Suite 500 Memphis, TN 38103 www.rublinlublin.com/property-listings.php Tel: (901) 813-0992 Fax: (404) 601-8846 Ad #60722- 2013-10-10 2013-10-17 2013-10-24

Parcel Number: 125-009.01  
Current Owner(s) of Property: Jerry Watson and Keith Watson, as equal

### NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq. and the Rules of the Health Services and Development Agency, that Crestwyn Behavioral Health (a proposed psychiatric hospital), owned and managed by Crestwyn Health Group, LLC (a limited liability company), intends to file an application for a Certificate of Need to establish a psychiatric hospital in Germantown (Shelby County), at a capital cost estimated at \$26,900,000. The facility will be constructed within an unaddressed tract of land on the east side of Crestwyn Hills Drive, with a hospital entrance drive approximately 0.2 miles (less than a quarter of a mile) south of the intersection of Crestwyn Hills Drive with Winchester Road, Germantown TN 38138.

The facility will seek licensure as a 60-bed Mental Health Hospital, offering psychiatric care for adolescents (15 beds) and adults of all ages (30 beds), and adult chemical dependency care (15 beds) from the Department of Mental Health and Substance Abuse Services. When such licensure is granted, the applicant's affiliated facility in Shelby County, Delta Medical Center, will reduce its complement of licensed hospital beds by 60 beds. Another Shelby County hospital may join with Delta Medical Center to jointly delineate a combined total of 60 hospital beds. The project does not contain major medical equipment or initiate or discontinue any other health service.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022. Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to the following address effective October 11, 2013:

Health Services and Development Agency  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
500 Deaderick Street  
Nashville, TN 37243

Pursuant to TCA Sec. 68-11-1607(c)(1): (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



- 570 - Business Services & Business Wanted
- 572 - Business For Sale
- 575 - Business Opportunities
- 580 - Investment Opportunities
- 583 - Money to Loan
- 585 - Stocks, Bonds & Royalties
- 590 - Wanted to Borrow

The Commercial Appeal does not recommend or endorse any product, service or company. Before investing, we encourage the reader to investigate that company.

### Business For Sale 572

CAR WASH near corner of Kirby & Raines. Refining owner. Call (901) 461-9448.

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815 - Recreation/Resort  
Nursing Homes

**810 - Residential Care & Management**  
815 - Recreation/Resort  
Nursing Homes

**633 - Area 10-Sycamore**  
River Oaks  
View/Whiten



OCT 30 '13 AM 11:48

SUPPLEMENTAL

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

CRESTWYN BEHAVIORAL HEALTH

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of OCTOBER, 2013,  
witness my hand at office in the County of DAVIDSON, State of Tennessee.

[Signature]  
NOTARY PUBLIC

My commission expires 1 - 11, 17.

HF-0043

Revised 7/02





**COPY-**

**SUPPLEMENTAL-2**

Crestwyn Behavioral Health

CN1310-040



October 31, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

Dear Mr. Earhart:

This letter responds to your second request for supplemental information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

**1. Section A, Applicant Profile, Item 1.**

**Your response is noted. The LOI notes the proposed city of the applicant will be Germantown, TN rather than Memphis, TN. Please provide a corrected page.**

Attached following this page is a corrected page 1R.

**2. Section A, Applicant Profile Item 6**

**The legal interest in the site by a letter of commitment by Baptist Memorial Health Systems, Inc. (BMHSI) is noted. However, please provide a copy of the contract that specifies BMHSI is committed to contributing the land to Crestwyn Health Group, LLC in exchange for a 20% interest in the company upon issuance of a Certificate of Need (CON) to the applicant.**

To supplement the letter of intent, attached at the end of this response letter is the fully executed Operating Agreement in which Baptist Memorial Health Systems, Inc. and Crestwyn Health Group, LLC have contractually agreed that Baptist will contribute the property to the project in exchange for ownership interest in the LLC. Please note pages 10-11 and Exhibit 3.1 in the Operating Agreement.



OCT 31 '13 PM 12:22

**PART A**

**1. Name of Facility, Agency, or Institution**

Crestwyn Behavioral Health		
<i>Name</i>		
Unaddressed tract on east side of Crestwyn Hills Drive, 0.2 miles south of the intersection of Crestwyn Hills Drive with Winchester Road		
<i>Street or Route</i>		Sumner
<i>County</i>		
Germantown	TN	38138
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**2. Contact Person Available for Responses to Questions**

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

**3. Owner of the Facility, Agency, or Institution**

Crestwyn Health Group, LLC	
<i>Name</i>	
c/o Acadia Healthcare, 830 Crescent Centre Drive, Suite 610	Williamson
<i>Street or Route</i>	<i>County</i>
Franklin	TN 37067
<i>City</i>	<i>State Zip Code</i>

**4. Type of Ownership or Control (Check One)**

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**



Page Two  
October 31, 2013

- 3. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.2.**  
Please indicate the designated Medically Underserved Areas of the proposed service area as designated by the U.S. Health Resources and Services Administration. The applicant states the response will be provided under separate cover on October 30. Please submit.

Attached at the end of this response letter are HRSA documents listing all such designated MUA's in the project service area.

- 4. Section C. (Need) Item 6. (The Applicant's Historical and Projected Utilization)**

The projected utilization in Years One and Year Two of the proposed project is noted. However, in the table provided by the applicant for Year Two notes total patient days of 16,231, while the projected data chart and other parts of the application reflects 16,225 days. Please clarify.

That arose from rounding by staff of Delta Medical Center, who assisted Acadia in planning this project. An amended projection table projecting 16,225 days in Year Two is provided below:

<b>Projected Admissions By Unit, Years One and Two (Revised on Second Supplemental)</b>				
	<b>Year One</b>		<b>Year Two</b>	
	<b>Admissions</b>	<b>Patient Days</b>	<b>Admissions</b>	<b>Patient Days</b>
Mental Health, Age 65+	243	3,281	408	4,996
Mental Health, Age 18-64	280	3,220	487	5,481
Mental Health, Age 13-17	335	2,178	587	3,844
Chemical Dependency	162	1,118	294	1,904
<b>Totals</b>	<b>1,020</b>	<b>9,795</b>	<b>1,776</b>	<b>16,225</b>

- 5. Section C. (Economic Feasibility) Item 10**

Your response is noted. The applicant states the financial information will be filed under separate cover. Please provide a copy of the referenced financial documents provided as attachment C. Economic Feasibility—10.

Acadia Healthcare's income statement and balance sheet from their current 10K filing with the SEC are attached at the end of this response letter, to document the company's ability to fund this project.



**5. Name of Management/Operating Entity (If Applicable) NA**

Name		
Street or Route		County
City	State	Zip Code

**6. Legal Interest in the Site of the Institution (Check One)**

A. Ownership		D. Option to Lease	
B. Option to Purchase		E. Other: Commitment Letter &	
C. Lease of ____ Years		executed Operating Agreement	

**7. Type of Institution (Check as appropriate—more than one may apply)**

A. Hospital (Specify): General		I. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty		K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Center	
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital	x	N. Non-Residential Methadone	
G. Mental Health Residential Facility		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify):	
		Q. Other (Specify):	

**8. Purpose of Review (Check as appropriate—more than one may apply)**

A. New Institution	x	G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	
B. Replacement/Existing Facility		H. Change of Location	
C. Modification/Existing Facility		I. Other (Specify):	
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)			
E. Discontinuance of OB Service			
F. Acquisition of Equipment			



Page Three  
October 31, 2013

**6. Section C. Orderly Development, Item 3**

**The Projected Staffing as listed in Table Twenty is noted. Please clarify how the applicant can increase full-time positions from fifty-five (55) in the original application, to 63.5 in the supplemental application with no increase in the Salaries and Wages Expense amount in the Projected Data Chart**

Acadia's corporate staff have built or operated several facilities like Crestwyn, and feel comfortable in accurately estimating total salary expenses that will be incurred for the utilization levels projected, without building a salary projection "from the ground up", FTE by FTE.

For this application, Acadia corporate staff reviewed salaries and benefits across all facilities and found them to average approximately 57.1% of net operating revenue. Therefore Crestwyn was projected at 58% in Year One, and 59% in Year Two. For the names and FTE's of specific positions, Acadia says that they initially filed the staffing chart using job classifications that had been accepted by HSDA staff in the Rolling Hills psychiatric hospital application approved by the HSDA in Williamson County not long ago (CN0612-096). (Management at Acadia were formerly with the company that filed that application, and were familiar with its history).


In reviewing the staffing projection again, Acadia has confirmed this morning that the gross expense estimate is ample to cover the additional 8.5 FTE's whose positions had not been named in the original projection.

**Additional Item to Supplement C(II)6B of the Application**

To add to the information on page 60 of the application, I am submitting a new table comparing Crestwyn's proposed Year One (2016) charges to those of some other freestanding psychiatric facilities in the service area, as reported in their 2012 Joint Annual Reports.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,

  
John Wellborn  
Consultant



**Supplemental Table for C(II)6B--Crestwyn Behavioral Health  
Charge Comparison to Private Free Standing Psychiatric Hospitals in Tennessee Service Area  
2012 Joint Annual Report Data for Other Facilities**

Facility	Gross Patient Charges	Net Patient Charges	Discharges	Patient or Discharge Days	Gross Charge Per Stay	Net Charge Per Stay	Gross Charge Per Day	Net Charge Per Day
Crestwynn 2016 (Yr 1)	\$14,080,313	\$7,955,377	1,020	9,795	\$13,804	\$7,799	\$1,438	\$812.19
Lakeside (2012 )	\$97,223,765	\$48,690,511	6,606	63,508	\$14,717	\$7,371	\$1,531	\$766.68
CBH (2012) (closed)	\$8,745,251	\$3,826,511	772	6,655	\$11,328	\$4,957	\$1,314	\$574.98
Pathways (2012)	\$18,598,530	\$10,010,334	590	2,846	\$31,523	\$16,967	\$6,535	\$3,517.33

Source: Joint Annual Reports for 2012; pages 18 & 25.



## Acadia Healthcare Company, Inc. (Filer) CIK: 0001520697

SUPPLEMENTAL- # 2

OCTOBER 31

12:20pm

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Cover			
Document and Entity Information			
Financial Statements			
Consolidated Balance Sheets			
Consolidated Balance Sheets (Parenthetical)			
Consolidated Statements of Operations			
Consolidated Statements of Operations (Parenthetical)			
Consolidated Statement of Equity			
Consolidated Statements of Cash Flows			
Notes to Financial Statements			
Accounting Policies			
Notes Tables			
Notes Details			
All Reports			

Consolidated Balance Sheets (USD \$) In Thousands, unless otherwise specified	Dec. 31, 2012	Dec. 31, 2011
<b>Current assets:</b>		
Cash and cash equivalents	\$ 49,399	\$ 61,118
Accounts receivable, net of allowances for doubtful accounts of \$7,484 and \$2,424, respectively	63,870	35,127
Deferred tax assets	11,380	6,239
Other current assets	16,332	10,121
<b>Total current assets</b>	<b>140,981</b>	<b>112,605</b>
<b>Property and equipment:</b>		
Land	39,130	14,115
Building and improvements	171,769	53,514
Equipment	19,773	8,222
Construction in progress	19,300	12,945
Less accumulated depreciation	(13,030)	(5,824)
<b>Property and equipment, net</b>	<b>236,942</b>	<b>82,972</b>
Goodwill	557,402	188,815
Intangible assets, net	15,988	8,232
Deferred tax assets - noncurrent		6,006
Other assets	32,100	16,366
<b>Total assets</b>	<b>983,413</b>	<b>412,996</b>
<b>Current liabilities:</b>		
Current portion of long-term debt	7,680	6,750
Accounts payable	19,081	8,642
Accrued salaries and benefits	28,749	16,195
Other accrued liabilities	16,341	9,081
<b>Total current liabilities</b>	<b>71,851</b>	<b>40,668</b>
Long-term debt	465,638	270,709
Deferred tax liabilities - noncurrent	998	
Other liabilities	12,376	5,254
<b>Total liabilities</b>	<b>550,863</b>	<b>316,631</b>
<b>Equity:</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, no shares issued		
Common stock, \$0.01 par value; 90,000,000 shares authorized; 49,887,300 and 32,115,929 issued and outstanding as of December 31, 2012 and 2011, respectively	499	321
Additional paid-in capital	456,228	140,624
Accumulated deficit	(24,177)	(44,580)
<b>Total equity</b>	<b>432,550</b>	<b>96,365</b>
<b>Total liabilities and equity</b>	<b>\$ 983,413</b>	<b>\$ 412,996</b>



Acadia Healthcare Company, Inc. (Filer) CIK: 0001520697

SUPPLEMENTAL- # 2

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Consolidated Statements of Operations (USD \$) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended								12 Months Ended		
	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Revenue before provision for doubtful accounts									\$ 413,890	\$ 219,704	\$ 64,342
Provision for doubtful accounts									(5,389)	(3,208)	(2,239)
Revenue	114,252	103,118	100,530	88,583	75,355	60,722	63,575	16,849	407,401	216,496	62,103
Salaries, wages and benefits (including equity-based compensation expense of \$2,267, \$17,320 and \$0, respectively)									236,639	162,900	36,661
Professional fees									10,019	6,890	1,876
Supplies									10,490	11,340	3,899
Rents and leases									7,838	5,678	1,288
Other operating expenses									42,777	20,171	6,870
Depreciation and amortization									7,982	4,278	978
Interest expense, net									28,789	6,101	738
Sponsor management fees										1,347	120
Transaction-related expenses									8,112	41,547	918
Total expenses									374,632	264,984	54,945
Income (loss) from continuing operations before income taxes	7,506	10,311	10,020	4,992	(23,471)	4,479	(18,948)	(628)	32,829	(38,488)	7,166
Provision for (benefit from) income taxes									12,326	(5,372)	477
Income (loss) from continuing operations									20,504	(33,194)	6,681
Loss from discontinued operations, net of income taxes									(101)	(1,888)	(471)
Net income (loss)	\$ 4,355	\$ 6,450	\$ 5,909	\$ 3,679	\$ (15,800)	\$ 3,123	\$ (21,857)	\$ (249)	\$ 20,403	\$ (34,822)	\$ 6,210
Basic earnings (loss) per share:											
Income (loss) from continuing operations									\$ 0.53	\$ (1.77)	\$ 0.38
Loss from discontinued operations										\$ (0.09)	\$ (0.03)
Net income (loss)									\$ 0.53	\$ (1.86)	\$ 0.35
Diluted earnings (loss) per share:											
Income (loss) from continuing operations									\$ 0.53	\$ (1.77)	\$ 0.38
Loss from discontinued operations										\$ (0.09)	\$ (0.03)
Net income (loss)									\$ 0.53	\$ (1.86)	\$ 0.35
Weighted-average shares outstanding:											
Basic									38,477	18,767	17,633
Diluted									38,896	18,767	17,633



## Acadia Healthcare Company, Inc. (Filer) CIK: 0001520697

SUPPLEMENTAL- # 2

OCTOBER 31

12:20pm

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Consolidated Statements of Cash Flows (USD \$) In Thousands, unless otherwise specified		12 Months Ended		
		Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
<b>Operating activities:</b>				
Net Income (loss)		\$ 20,403	\$ (34,892)	\$ 6,210
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) continuing operating activities:</b>				
Depreciation and amortization		7,982	4,278	976
Provision for doubtful accounts		6,389	3,208	2,239
Amortization of debt issuance costs		2,507	1,271	
Equity-based compensation expense		2,287	17,320	
Deferred income tax expense (benefit)		2,847	(6,442)	(145)
Other		(3)	(168)	
Loss from discontinued operations, net of taxes		101	1,688	471
<b>Change in operating assets and liabilities, net of effect of acquisitions:</b>				
Accounts receivable		(16,733)	(4,881)	(2,174)
Other current assets		1,583	(1,625)	35
Other assets		637	(969)	
Accounts payable and other accrued liabilities		485	3,326	541
Accrued salaries and benefits		5,142	(1,759)	187
Other liabilities		702	734	(250)
Net cash (used in) provided by continuing operating activities		34,309	(16,903)	8,090
Net cash (used in) provided by discontinued operating activities		(411)	(1,763)	105
Net cash provided by (used in) operating activities		33,898	(20,666)	8,195
<b>Investing activities:</b>				
Cash paid for acquisitions, net of cash acquired		(443,473)	(206,379)	
Cash paid for capital expenditures		(27,595)	(9,558)	(1,495)
Cash paid for real estate acquisitions		(53,159)	(8,706)	
Other		(417)	(889)	
Net cash used in continuing investing activities		(524,644)	(225,332)	(1,495)
Net cash used in discontinued investing activities			(238)	(3)
Net cash used in investing activities		(524,644)	(225,670)	(1,498)
<b>Financing activities:</b>				
Borrowings on long-term debt		176,063	282,485	
Principal payments on long-term debt		(6,000)	(5,063)	(275)
Repayment of long-term debt			(9,984)	
Payment of debt issuance costs		(4,551)	(12,111)	
Issuances of common stock		311,841	67,162	
Proceeds from stock option exercises		980	38	
Excess tax benefit from equity awards		714		
Cash distribution paid to equity holders			(74,441)	
Contribution from Holdings			51,029	
Distributions to equity holders			(375)	(2,297)
Net cash (used in) provided by financing activities		479,027	298,740	(2,572)
Net (decrease) increase in cash and cash equivalents		(11,719)	52,604	4,125
Cash and cash equivalents at beginning of the period		61,118	8,614	4,489
Cash and cash equivalents at end of the period		49,399	61,118	8,614
<b>Supplemental Cash Flow Information:</b>				
Cash paid for interest		27,238	5,053	587
Cash paid for income taxes		3,928	2,564	700
<b>Significant Non-Cash Transactions:</b>				
Issuance of common stock in connection with acquisition			44,025	
Issuance of replacement share-based awards in connection with acquisition			1,027	
Contingent consideration issued in connection with acquisition		6,120		
<b>Effect of acquisitions:</b>				
Assets acquired, excluding cash		482,891	278,895	
Liabilities assumed		(44,982)	(27,464)	
Deposits paid for acquisitions		11,684		
Contingent consideration issued in connection with acquisition		(6,120)		
Issuance of common stock in connection with acquisition			(44,025)	



Issuance of replacement share-based awards in connection with acquisition		(1,027)
Cash paid for acquisitions, net of cash acquired	\$ 443,473	\$ 206,379

**SUPPLEMENTAL- # 2****OCTOBER 31****12:20pm**



U. S. Department of Health and Human Services  
Health Resources and Services Administration

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Physician  
Bonus  
Payment

## Criteria:

State: Tennessee

County: ALL COUNTIES

ID #: All

Results: 340 records found.

Name	ID#	Type	Score	Designation Date	Update Date
<b>Anderson County</b>					
Anderson Service Area	03241	MUA	60.50	1984/07/24	1994/05/04
CT 0207.00					
CT 0208.00					
CT 0210.00					
CT 0212.01					
CT 0212.02					
<b>Bedford County</b>					
Bedford Service Area	03173	MUA	59.80	1978/11/01	
MCD (?) Unknown					
<b>Benton County</b>					
Benton Service Area	03174	MUA	56.70	1978/11/01	
MCD (?) Unknown					
<b>Bledsoe County</b>					
Bledsoe Service Area	03175	MUA	54.10	1978/11/01	
MCD (?) Unknown					
<b>Blount County</b>					
Blount Service Area	03262	MUA	58.84	1994/05/12	
CT 0101.00					
CT 0105.00					
CT 0112.00					
CT 0113.01					
CT 0113.02					
CT 0116.02					
Blount Service Area	03269	MUA	54.90	1994/05/12	
CT 0108.00					
Blount Service Area	03270	MUA	54.90	1994/07/12	
CT 0114.01					
CT 0114.02					
CT 9802.00					
<b>Bradley County</b>					
Cleveland Division Service Area	03253	MUA	43.20	1994/05/12	
<b>Campbell County</b>					
Campbell Service Area	03176	MUA	41.40	1978/11/01	
MCD (?) Unknown					
<b>Cannon County</b>					
Cannon Service Area	03177	MUA	55.40	1978/11/01	
MCD (?) Unknown					
<b>Carroll County</b>					
Carroll Service Area	03178	MUA	60.80	1978/11/01	
MCD (?) Unknown					
<b>Carter County</b>					
Carter Service Area	03179	MUA	55.20	1978/11/01	
MCD (?) Unknown					
<b>Cheatham County</b>					
Cheatham Service Area	03180	MUA	60.70	1978/11/01	
MCD (?) Unknown					
<b>Chester County</b>					
Chester Service Area	03181	MUA	48.80	1978/11/01	
MCD (?) Unknown					
<b>Claiborne County</b>					
Claiborne Service Area	03182	MUA	46.20	1978/11/01	
MCD (?) Unknown					
<b>Clay County</b>					
Clay Service Area	03183	MUA	37.60	1978/11/01	
MCD (?) Unknown					
<b>Cocke County</b>					
Cocke Service Area	03184	MUA	37.80	1978/11/01	
MCD (?) Unknown					



TXL  
**SUPPLEMENTAL- # 2**

<b>Beech Grove Division Service Area</b>	03254	MUA	42.30	1994/05/12	<b>OCTOBER 31</b>
<b>Crockett County</b>					
<b>Crockett County</b>	03185	MUA	61.00	1984/05/18	2012/05/14
MCD (?) Unknown					
<b>Cumberland County</b>					
<b>Cumberland Service Area</b>	03186	MUA	55.20	1978/11/01	
MCD (?) Unknown					
<b>Davidson County</b>					
<b>Bordeaux/Inglewood</b>	03242	MUA	61.00	1994/05/04	2008/03/27
CT 0101.05					
CT 0101.06					
CT 0109.03					
CT 0109.04					
CT 0110.01					
CT 0110.02					
CT 0113.00					
CT 0114.00					
CT 0117.00					
CT 0118.00					
CT 0119.00					
CT 0121.00					
CT 0122.00					
CT 0126.00					
CT 0127.01					
CT 0127.02					
CT 0128.01					
CT 0128.02					
CT 0192.00					
CT 0193.00					
<b>Davidson Service Area</b>	03243	MUA	48.27	1982/05/10	1994/05/04
CT 0160.00					
CT 0161.00					
CT 0162.00					
CT 0163.00					
CT 0164.00					
CT 0168.00					
CT 0169.00					
CT 0170.00					
CT 0171.00					
<b>Davidson Service Area</b>	03248	MUA	57.06	1994/07/12	
CT 0136.01					
CT 0136.02					
CT 0137.00					
CT 0139.00					
CT 0142.00					
CT 0143.00					
CT 0144.00					
CT 0148.00					
CT 0194.00					
CT 0195.00					
<b>Decatur County</b>					
<b>Decatur Service Area</b>	03187	MUA	52.20	1978/11/01	
MCD (?) Unknown					
<b>DeKalb County</b>					
<b>DeKalb Service Area</b>	03188	MUA	60.10	1978/11/01	
MCD (?) Unknown					
<b>Dickson County</b>					
<b>Charlotte Service Area</b>	03264	MUA	0.00	1994/05/12	
<b>Dyer County</b>					
<b>Mississippi-Oblon Service Area</b>	03271	MUA	56.00	1994/07/12	
<b>Newbern Service Area</b>	03272	MUA	60.30	1994/07/12	
<b>Fayette County</b>					
<b>Fayette Service Area</b>	03189	MUA	32.80	1978/11/01	
MCD (?) Unknown					
<b>Fentress County</b>					
<b>Fentress Service Area</b>	03190	MUA	50.10	1978/11/01	
MCD (?) Unknown					
<b>Franklin County</b>					
<b>Franklin Service Area</b>	03191	MUA	44.70	1978/11/01	
MCD (?) Unknown					
<b>Gibson County</b>					
<b>Gibson Service Area</b>	07035	MUA	55.80	1978/11/01	
MCD (?) Unknown					
<b>Giles County</b>					
<b>Giles Service Area</b>	03192	MUA	51.90	1978/11/01	
MCD (?) Unknown					
<b>Grainger County</b>					
<b>Grainger County</b>	03193	MUA	59.70	1978/11/01	2012/05/14
MCD (?) Unknown					
<b>Greene County</b>					
<b>Baileton Division Service Area</b>	03255	MUA	56.53	1994/05/12	
<b>Mohawk Division Service Area</b>	03256	MUA	56.60	1994/05/12	
<b>Grundy County</b>					
<b>Grundy Service Area</b>	03194	MUA	46.10	1978/11/01	
MCD (?) Unknown					
<b>Hamblen County</b>					
<b>Whitesburg Service Area</b>	07497	MUA	61.30	1994/05/12	
<b>Hamilton County</b>					
<b>Hamilton Service Area</b>	03244	MUA	56.40	1994/05/12	1994/05/14



TH  
**SUPPLEMENTAL- # 2**

**OCTOBER 31**  
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CT 0004.00					
CT 0006.00					
CT 0008.00					
CT 0011.00					
CT 0012.00					
CT 0013.00					
CT 0014.00					
CT 0016.00					
CT 0018.00					
CT 0019.00					
CT 0020.00					
CT 0023.00					
CT 0024.00					
CT 0025.00					
CT 0026.00					
CT 0031.00					
CT 0122.00					
CT 0123.00					
CT 0124.00					
<b>Hancock County</b>					
Hancock Service Area	03195	MUA	58.90	1978/11/01	2010/07/20
MCD (?) Unknown					
<b>Hardeman County</b>					
Hardeman Service Area	03196	MUA	48.20	1978/11/01	
MCD (?) Unknown					
<b>Hardin County</b>					
Hardin Service Area	03197	MUA	43.80	1978/11/01	
MCD (?) Unknown					
<b>Hawkins County</b>					
Hawkins Service Area	03198	MUA	53.90	1978/11/01	
MCD (?) Unknown					
<b>Haywood County</b>					
Haywood Service Area	03199	MUA	33.20	1978/11/01	
MCD (?) Unknown					
<b>Henderson County</b>					
Henderson Service Area	03200	MUA	53.80	1978/11/01	
MCD (?) Unknown					
<b>Henry County</b>					
Henry Division Service Area	03257	MUA	60.07	1994/05/12	
<b>Hickman County</b>					
Hickman Service Area	03201	MUA	46.60	1978/11/01	
MCD (?) Unknown					
<b>Houston County</b>					
Houston Service Area	03202	MUA	58.80	1978/11/01	
MCD (?) Unknown					
<b>Humphreys County</b>					
Bakersville/ Boldspringdiv. Service Area	03258	MUA	54.53	1994/05/12	
<b>Jackson County</b>					
Jackson Service Area	03203	MUA	52.50	1978/11/01	2000/03/06
MCD (?) Unknown					
<b>Jefferson County</b>					
Chestnut Hill Division Service Area	03245	MUA	59.90	1984/07/24	1994/05/04
<b>Johnson County</b>					
Johnson Service Area	03204	MUA	51.50	1978/11/01	
MCD (?) Unknown					
<b>Knox County</b>					
Knox Service Area	03246	MUA	53.60	1982/05/11	1994/05/04
CT 0016.00					
CT 0017.00					
CT 0018.00					
CT 0019.00					
CT 0020.00					
CT 0021.00					
CT 0067.00					
Knox Service Area	03247	MUA	53.60	1982/05/18	1994/05/04
CT 0030.00					
CT 0031.00					
CT 0032.00					
CT 0033.00					
Knox Service Area	03263	MUA	57.63	1994/05/12	
CT 0001.00					
CT 0009.01					
CT 0009.02					
CT 0014.00					
CT 0028.00					
CT 0066.00					
CT 0067.00					
CT 0068.00					
CT 0069.00					
CT 0070.00					
<b>Lake County</b>					
Lake Service Area	03205	MUA	42.40	1978/11/01	
MCD (?) Unknown					
<b>Lauderdale County</b>					
Lauderdale Service Area	03206	MUA	42.90	1978/11/01	
MCD (?) Unknown					
<b>Lawrence County</b>					
Lawrence Service Area	03207	MUA	60.90	1978/11/01	
MCD (?) Unknown					



SUPPLEMENTAL- # 2

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MCD (?) Unknown						
Lewis County						
Lewis Service Area	03208	MUA	61.90	1984/05/18		
MCD (?) Unknown						
Lincoln County						
Lincoln Service Area	03209	MUA	53.40	1978/11/01		
MCD (?) Unknown						
Loudon County						
Loudon Service Area	03210	MUA	58.10	1978/11/01		
MCD (?) Unknown						
McMinn County						
McMinn Service Area	03211	MUA	57.00	1978/11/01		
MCD (?) Unknown						
McNairy County						
McNairy Service Area	03212	MUA	47.90	1978/11/01		
MCD (?) Unknown						
Macon County						
Macon Service Area	03213	MUA	42.20	1978/11/01		
MCD (?) Unknown						
Madison County						
Low Inc - East Jackson Service Area	03214	MUP	43.50	1996/02/02		
CT 0005.00						
CT 0008.00						
CT 0009.00						
CT 0010.00						
CT 0011.00						
Marion County						
Marion Service Area	03215	MUA	53.30	1978/11/01		
MCD (?) Unknown						
Marshall County						
Marshall Service Area	03216	MUA	58.60	1978/11/01		
MCD (?) Unknown						
Maury County						
Bakerville/ Boldspringdiv. Service Area	03258	MUA	54.53	1994/05/12		
Meigs County						
Meigs Service Area	03217	MUA	27.40	1978/11/01		
MCD (?) Unknown						
Monroe County						
Monroe Service Area	03218	MUA	48.10	1978/11/01		
MCD (?) Unknown						
Montgomery County						
Montgomery Service Area	03219	MUA	57.00	1978/11/01		
MCD (?) Unknown						
Moore County						
Moore Service Area	03220	MUA	47.90	1978/11/01		
MCD (?) Unknown						
Morgan County						
Morgan Service Area	03221	MUA	57.10	1978/11/01	2000/09/19	
MCD (?) Unknown						
Obion County						
Obion Service Area	03222	MUA	57.40	1978/11/01		
MCD (?) Unknown						
Overton County						
Overton Service Area	03223	MUA	45.70	1978/11/01		
MCD (?) Unknown						
Perry County						
Perry Service Area	03224	MUA	52.70	1978/11/01		
MCD (?) Unknown						
Pickett County						
Pickett Service Area	03225	MUA	54.60	1978/11/01		
MCD (?) Unknown						
Polk County						
Turtletown Service Area	07498	MUA	57.30	1994/05/12		
Putnam County						
Buffalo Valley Division Service Area	03252	MUA	59.00	1994/05/12		
Rhea County						
Rhea Service Area	03226	MUA	55.50	1978/11/01		
MCD (?) Unknown						
Roane County						
Roane Service Area	03227	MUA	54.90	1978/11/01		
MCD (?) Unknown						
Robertson County						
Robertson Service Area	03228	MUA	60.90	1978/11/01		
MCD (?) Unknown						
Rutherford County						
Christiana Division Service Area	03259	MUA	56.90	1994/05/12		
Scott County						
Scott Service Area	03229	MUA	41.50	1978/11/01		
MCD (?) Unknown						
Sequatchie County						
Sequatchie Service Area	03230	MUA	54.30	1978/11/01		
MCD (?) Unknown						
Sevier County						
Dunn Creek Division	03260	MUA	45.60	1994/05/12		
Shelby County						



TN  
**SUPPLEMENTAL - # 2**

**OCTOBER 31**  
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<b>Shelby Service Area</b>	03249	MUA	56.50	1994/07/12	
CT 0201.01					
CT 0201.02					
CT 0202.10					
CT 0205.12					
<b>Shelby Service Area</b>	03250	MUA	51.00	1994/07/12	
CT 0216.20					
CT 0219.00					
CT 0220.22					
CT 0220.23					
CT 0220.24					
CT 0221.11					
CT 0221.12					
CT 0222.10					
CT 0222.20					
CT 0223.10					
CT 0223.21					
CT 0223.30					
CT 0224.10					
CT 0225.00					
CT 0227.00					
<b>Nw Memphis Service Area</b>	07469	MUA	56.00	2005/04/06	
CT 0002.00					
CT 0003.00					
CT 0004.00					
CT 0006.00					
CT 0007.00					
CT 0008.00					
CT 0009.00					
CT 0011.00					
CT 0012.00					
CT 0013.00					
CT 0014.00					
CT 0015.00					
CT 0017.00					
CT 0019.00					
CT 0020.00					
CT 0021.00					
CT 0024.00					
CT 0025.00					
CT 0027.00					
CT 0028.00					
CT 0030.00					
CT 0036.00					
CT 0089.00					
CT 0099.01					
CT 0099.02					
CT 0100.00					
CT 0101.10					
CT 0101.20					
CT 0102.10					
CT 0102.20					
CT 0103.00					
CT 0111.00					
CT 0112.00					
CT 0113.00					
CT 0205.21					
CT 0205.23					
CT 0205.24					
<b>Smith County</b>					
<b>Forks Of The River Service Area</b>	03267	MUA	60.80	1994/05/12	
<b>Stewart County</b>					
<b>Stewart Service Area</b>	03231	MUA	58.80	1978/11/01	
MCD (?) Unknown					
<b>Sullivan County</b>					
No MUAs in this county.					
<b>Sumner County</b>					
<b>Sumner Service Area</b>	03251	MUA	53.05	1994/07/12	
CT 0201.01					
CT 0201.02					
CT 0202.03					
CT 0202.04					
CT 0202.05					
CT 0202.06					
CT 0202.07					
CT 0202.08					
CT 0202.09					
CT 0203.00					
CT 0207.00					
CT 0208.00					
<b>Tipton County</b>					
<b>Tipton Service Area</b>	03232	MUA	44.90	1978/11/01	
MCD (?) Unknown					
<b>Trousdale County</b>					
<b>Trousdale Service Area</b>	03233	MUA	53.30	1978/11/01	
MCD (?) Unknown					
<b>Unicoi County</b>					
<b>Unicoi County</b>	03234	MUA	59.30	1978/11/01	2012/05/14
MCD (?) Unknown					
<b>Union County</b>					
<b>Union Service Area</b>	03235	MUA	43.50	1978/11/01	
MCD (?) Unknown					



TXI

OCTOBER 31  
12:20pm





U. S. Department of Health &amp; Human Services

SUPPLEMENTAL - # 2

OCTOBER 31

HRSA Data Warehouse

HRSA.gov 10:20pm

U. S. Department of Health and Human Services  
Health Resources and Services Administration

Enter Keywords

SEARCH

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## Find Shortage Areas: MUA/P by State and County

Shortage  
Designation  
HomeFind  
Shortage  
AreasHPSA &  
MUA/P by  
AddressHPSA by  
State &  
CountyHPSA  
Eligible for  
the  
Medicare  
Physician  
Bonus  
Payment

## Criteria:

State: Arkansas

County: ALL COUNTIES

ID #: All

Results: 213 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Arkansas County					
Arkansas County	00142	MUA	58.10	1978/11/01	
MCD (?) Unknown					
Ashley County					
Ashley County	00143	MUA	53.20	1978/11/01	1999/10/19
MCD (?) Unknown					
Baxter County					
Baxter County	00144	MUA	46.30	1978/11/01	
MCD (?) Unknown					
Benton County					
Decatur Gentry Service Area	00204	MUA	56.80	1994/05/11	
Osage Service Area	00220	MUA	59.10	1994/05/11	
Boone County					
No MUAs in this county.					
Bradley County					
Bradley County	00145	MUA	51.70	1978/11/01	
MCD (?) Unknown					
Calhoun County					
Calhoun County	00146	MUA	53.20	1983/07/27	
MCD (?) Unknown					
Carroll County					
Carroll County	00147	MUA	47.50	1978/11/01	
MCD (?) Unknown					
Chicot County					
Chicot County	00148	MUA	37.30	1978/11/01	
MCD (?) Unknown					
Clark County					
Clark County	00149	MUA	57.80	1978/11/01	
MCD (?) Unknown					
Clay County					
Clay County	00150	MUA	47.40	1978/11/01	
MCD (?) Unknown					
Cleburne County					
Cleburne County	00151	MUA	57.30	1997/06/11	
MCD (?) Unknown					
Cleveland County					
Cleveland County	00152	MUA	39.40	1978/11/01	
MCD (?) Unknown					
Columbia County					
Columbia County	00153	MUA	58.40	1999/05/13	
MCD (?) Unknown					
Conway County					
Conway County	00154	MUA	50.70	1978/11/01	
MCD (?) Unknown					
Craighead County					
Black Oak Service Area	00221	MUA	56.20	1994/05/11	
Lester Service Area	00222	MUA	55.30	1994/05/11	
Crawford County					
Crawford Service Area	00202	MUA	53.43	1994/05/11	
CT 0201.00					
CT 0202.01					
CT 0202.03					
CT 0202.04					
CT 0204.01					
CT 0204.02					
CT 0205.01					
CT 0205.02					
Crittenden County					
Crittenden County	00155	MUA	34.20	1978/11/01	
MCD (?) Unknown					



AK SUPPLEMENTAL-# 2

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<b>Cross County</b>					
Cross County	00156	MUA	39.40	1978/11/01	
MCD (?) Unknown					
<b>Dallas County</b>					
Dallas County	00157	MUA	55.20	1978/11/01	2003/08/08
MCD (?) Unknown					
<b>Desha County</b>					
Desha County	00158	MUA	56.90	1978/11/01	2013/06/19
MCD (?) Unknown					
<b>Drew County</b>					
Drew County	00159	MUA	44.20	1978/11/01	
MCD (?) Unknown					
<b>Faulkner County</b>					
Faulkner County	00160	MUA	58.80	1978/11/01	
MCD (?) Unknown					
<b>Franklin County</b>					
Franklin County	00161	MUA	48.50	1978/11/01	
MCD (?) Unknown					
<b>Fulton County</b>					
Fulton County	00162	MUA	59.60	1978/11/01	2002/09/20
MCD (?) Unknown					
<b>Garland County</b>					
Lee Mazam Valley Service Area	00205	MUA	60.00	1994/05/11	
Hot Springs Service Area	00223	MUA	61.10	1994/05/11	
<b>Grant County</b>					
No MUAs in this county.					
<b>Greene County</b>					
Greene County	00163	MUA	58.00	1978/11/01	
MCD (?) Unknown					
<b>Hempstead County</b>					
Hempstead County	00164	MUA	45.10	1978/11/01	
MCD (?) Unknown					
<b>Hot Spring County</b>					
Hot Spring County	00168	MUA	56.80	1978/11/01	2002/09/20
MCD (?) Unknown					
<b>Howard County</b>					
Howard County	00166	MUA	60.80	1978/11/01	
MCD (?) Unknown					
<b>Independence County</b>					
Independence County	00167	MUA	46.80	1978/11/01	
MCD (?) Unknown					
<b>Izard County</b>					
Izard County	07480	MUA	57.30	1998/08/17	
MCD (?) Unknown					
<b>Jackson County</b>					
Jackson County	00169	MUA	51.30	1978/11/01	
MCD (?) Unknown					
<b>Jefferson County</b>					
Jefferson Service Area	00215	MUA	44.93	1994/05/11	
CT 0001.02					
CT 0023.00					
Jefferson Service Area	00216	MUA	50.70	1994/05/11	
CT 0003.01					
CT 0003.02					
CT 0003.03					
CT 0005.02					
CT 0010.00					
CT 0012.00					
CT 0013.00					
CT 0014.01					
CT 0014.02					
CT 0025.00					
Jefferson Service Area	00217	MUA	46.53	1994/06/03	
CT 0017.00					
CT 0019.01					
CT 0019.03					
CT 0025.00					
Jefferson Service Area	00218	MUA	57.13	1994/05/11	
CT 0020.00					
CT 0021.03					
CT 0021.04					
Jefferson Service Area	00219	MUA	55.70	1994/05/11	
CT 0024.00					
<b>Johnson County</b>					
Johnson County	00170	MUA	57.70	1978/11/01	
MCD (?) Unknown					
<b>Lafayette County</b>					
Lafayette County	00171	MUA	29.60	1978/11/01	
MCD (?) Unknown					
<b>Lawrence County</b>					
Lawrence County	00172	MUA	53.20	1978/11/01	
MCD (?) Unknown					
<b>Lee County</b>					
Lee County	00173	MUA	59.80	1978/11/01	2007/03/21
MCD (?) Unknown					
<b>Lincoln County</b>					



AP SUPPLEMENTAL-#2

OCTOBER 31

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Lincoln County	00174	MUA	40.60	1978/11/01	
MCD (?) Unknown					
Little River County	00175	MUA	51.30	1978/11/01	
MCD (?) Unknown					
Logan County	00176	MUA	49.20	1978/11/01	
MCD (?) Unknown					
Lonoke County	00177	MUA	45.90	1978/11/01	
MCD (?) Unknown					
Madison County	00178	MUA	33.60	1978/11/01	
MCD (?) Unknown					
Marion County	00179	MUA	61.60	1978/11/01	
MCD (?) Unknown					
Miller County	05070	MUA	61.80	1999/02/02	
MCD (?) Unknown					
Mississippi County	00180	MUA	44.30	1978/11/01	
MCD (?) Unknown					
Monroe County	00181	MUA	46.00	1978/11/01	
MCD (?) Unknown					
Montgomery County	00182	MUA	30.10	1978/11/01	
MCD (?) Unknown					
Nevada County	00183	MUA	36.00	1978/11/01	
MCD (?) Unknown					
Newton County	00184	MUA	45.50	1978/11/01	
MCD (?) Unknown					
Ouachita County	00185	MUA	62.00	1978/11/01	2002/09/11
MCD (?) Unknown					
Perry County	00186	MUA	42.60	1978/11/01	
MCD (?) Unknown					
Phillips County	00187	MUA	49.60	1978/11/01	
MCD (?) Unknown					
Pike County	00188	MUA	51.40	1978/11/01	
MCD (?) Unknown					
Poinsett County	00189	MUA	53.00	1978/11/01	
MCD (?) Unknown					
Polk County	00190	MUA	37.50	1978/11/01	
MCD (?) Unknown					
Pope County	00206	MUA	59.10	1994/05/11	
Dover/ Martin Service Area	00207	MUA	53.90	1994/05/11	
Griffin Jackson Service Area	00208	MUA	60.65	1994/05/11	
Wilson Gala Service Area	00224	MUA	55.20	1994/05/11	
Convenience Service Area					
Prairie County	00191	MUA	30.80	1978/11/01	
MCD (?) Unknown					
Pulaski County	00212	MUA	53.10	1994/05/11	
Pulaski Service Area					
CT 0002.00					
CT 0005.00					
CT 0011.00					
CT 0040.01					
CT 0044.00					
CT 0045.00					
CT 0046.00					
CT 0047.00					
Pulaski Service Area	00213	MUA	50.40	1994/05/11	
CT 0025.00					
CT 0026.00					
CT 0028.00					
Pulaski Service Area	00214	MUA	53.10	1994/05/11	
CT 0039.00					
Southwest Little Rock Service Area	07481	MUA	56.30	2005/05/24	
CT 0041.04					
CT 0041.05					
CT 0041.06					
CT 0041.07					
CT 0041.08					
Jacksonville Service Area	07533	MUA	61.10	2006/07/27	2006/07/27
CT 0036.04					
CT 0036.05					
CT 0036.06					



SUPPLEMENTAL- # 2

OCTOBER 31

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CT 0036.07						
CT 0036.08						
CT 0036.09						
CT 0037.07						
CT 0038.00						
<b>Randolph County</b>						
Randolph County	00192	MUA	56.00	1978/11/01		
MCD (?) Unknown						
<b>St. Francis County</b>						
St. Francis County	00193	MUA	53.70	1978/11/01		
MCD (?) Unknown						
<b>Saline County</b>						
Saline County	00201	MUA	57.40	1994/05/11		
CT 0106.00						
<b>Scott County</b>						
Scott County	00194	MUA	53.40	1978/11/01		
MCD (?) Unknown						
<b>Searcy County</b>						
Searcy County	00195	MUA	39.70	1978/11/01		
MCD (?) Unknown						
<b>Sebastian County</b>						
Fort Smith	06216	MUA	54.70	2001/05/24		
CT 0001.00						
CT 0002.00						
CT 0003.00						
CT 0004.00						
CT 0005.01						
CT 0005.02						
<b>Sevier County</b>						
Mineral/ Red Colony Service Area	00225	MUA	61.50	1994/05/11		
<b>Sharp County</b>						
Sharp County	00196	MUA	37.10	1978/11/01	1999/10/19	
MCD (?) Unknown						
<b>Stone County</b>						
Stone County	00197	MUA	39.50	1978/11/01		
MCD (?) Unknown						
<b>Union County</b>						
Union Service Area	00200	MUA	53.20	1983/07/27	1994/05/11	
Boone Van Buren Service Area	00209	MUA	58.40	1994/05/11		
Henderson Service Area	00226	MUA	55.50	1994/05/11		
<b>Van Buren County</b>						
Van Buren County	00198	MUA	62.00	1978/11/01		
MCD (?) Unknown						
<b>Washington County</b>						
Springdale Service Area	07309	MUA	61.00	2003/02/28		
CT 0102.00						
<b>White County</b>						
Eastern White	00210	MUA	55.30	2001/03/12	2001/03/12	
Mc Rae Union Service Area	00211	MUA	58.50	1994/05/11		
Kentucky Service Area	00227	MUA	58.40	1994/05/11		
Big Creek Service Area	00230	MUA	60.60	1994/05/11	2005/08/19	
<b>Woodruff County</b>						
Woodruff County	00199	MUA	31.70	1978/11/01		
MCD (?) Unknown						
<b>Yell County</b>						
Riley Service Area	00228	MUA	60.50	1994/05/11		
Ward Service Area	00229	MUA	56.20	1994/05/11		

NEW SEARCH

MODIFY SEARCH CRITERIA





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## Find Shortage Areas: MUA/P by State and County

ms-pl of 4

[Shortage Designation Home](#)[Find Shortage Areas](#)[HPSA & MUA/P by Address](#)[HPSA by State & County](#)[HPSA Eligible for the Medicare Physician Bonus Payment](#)

## Criteria:

State: Mississippi

County: ALL COUNTIES

ID #: All

Results: 209 records found.

Name	ID#	Type	Score	Designation Date	Update Date
<b>Adams County</b>					
Adams Service Area	01740	MUA	51.30	1978/11/01	
MCD (?) Unknown					
<b>Alcorn County</b>					
Alcorn Service Area	01741	MUA	44.30	1978/11/01	
MCD (?) Unknown					
<b>Amite County</b>					
Amite Service Area	01742	MUA	29.60	1978/11/01	
MCD (?) Unknown					
<b>Attala County</b>					
Attala Service Area	01743	MUA	40.50	1978/11/01	
MCD (?) Unknown					
<b>Benton County</b>					
Benton Service Area	01744	MUA	23.50	1978/11/01	
MCD (?) Unknown					
<b>Bolivar County</b>					
Bolivar Service Area	01745	MUA	34.00	1984/07/03	
MCD (?) Unknown					
<b>Calhoun County</b>					
Calhoun Service Area	01746	MUA	37.80	1978/11/01	
MCD (?) Unknown					
<b>Carroll County</b>					
Carroll Service Area	01747	MUA	43.70	1978/11/01	
MCD (?) Unknown					
<b>Chickasaw County</b>					
Chickasaw Service Area	01748	MUA	31.20	1978/11/01	
MCD (?) Unknown					
<b>Choctaw County</b>					
Choctaw Service Area	01749	MUA	44.90	1978/11/01	
MCD (?) Unknown					
<b>Claiborne County</b>					
Claiborne Service Area	01750	MUA	26.90	1978/11/01	
MCD (?) Unknown					
<b>Clarke County</b>					
Clarke Service Area	01751	MUA	42.70	1978/11/01	
MCD (?) Unknown					
<b>Clay County</b>					
Clay Service Area	01752	MUA	40.30	1978/11/01	
MCD (?) Unknown					
<b>Coahoma County</b>					
Coahoma Service Area	01753	MUA	29.90	1984/07/03	
MCD (?) Unknown					
<b>Copiah County</b>					
Copiah Service Area	01754	MUA	38.40	1978/11/01	
MCD (?) Unknown					
<b>Covington County</b>					
Covington Service Area	01755	MUA	48.80	1978/11/01	
MCD (?) Unknown					
<b>DeSoto County</b>					
DeSoto Service Area	01756	MUA	47.40	1978/11/01	
MCD (?) Unknown					
<b>Forrest County</b>					
District 3 - County	01836	MUA	56.30	1994/05/11	
District 5 - County	01837	MUA	52.50	1994/05/11	
<b>Franklin County</b>					
Franklin Service Area	01757	MUA	57.60	1978/11/01	
MCD (?) Unknown					
<b>George County</b>					
George Service Area	01758	MUA	53.00	1978/11/01	



WSS SUPPLEMENTAL - # 2

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MCD (?) Unknown					
<b>Greene County</b>					
Greene Service Area	01759	MUA	36.70	1978/11/01	
MCD (?) Unknown					
<b>Grenada County</b>					
Grenada Service Area	01760	MUA	41.10	1978/11/01	
MCD (?) Unknown					
<b>Hancock County</b>					
Hancock Service Area	01761	MUA	49.40	1978/11/01	
MCD (?) Unknown					
<b>Harrison County</b>					
Harrison Service Area	01825	MUA	52.98	1994/05/12	
CT 0001.00					
CT 0003.00					
CT 0036.00					
CT 0039.00					
CT 9900.00					
Harrison Service Area	01826	MUA	52.00	1994/05/12	
CT 0018.00					
CT 0023.00					
CT 0024.00					
CT 0026.00					
CT 9800.00					
Harrison Service Area	01827	MUA	52.57	1994/05/12	
CT 0030.00					
CT 0031.01					
CT 0031.02					
Harrison Service Area	01839	MUA	57.30	1984/11/14	1994/05/12
CT 0034.03					
CT 0034.04					
<b>Hinds County</b>					
Hinds Service Area	01828	MUA	56.53	1994/05/12	
CT 0010.00					
CT 0011.00					
CT 0012.00					
CT 0020.00					
Hinds Service Area	01829	MUA	54.05	1994/05/12	
CT 0016.00					
CT 0027.00					
CT 0032.00					
CT 0114.00					
CT 0115.00					
Hinds Service Area	01830	MUA	55.50	1994/05/12	
CT 0105.00					
CT 0106.00					
Hinds Service Area	01831	MUA	55.95	1994/05/12	
CT 0112.01					
CT 0112.02					
CT 0113.00					
<b>Holmes County</b>					
Holmes Service Area	01762	MUA	31.90	1978/11/01	
MCD (?) Unknown					
<b>Humphreys County</b>					
Humphreys Service Area	01763	MUA	32.30	1978/11/01	
MCD (?) Unknown					
<b>Issaquena County</b>					
Issaquena Service Area	01764	MUA	19.70	1978/11/01	
MCD (?) Unknown					
<b>Itawamba County</b>					
Itawamba Service Area	01765	MUA	48.60	1978/11/01	
MCD (?) Unknown					
<b>Jackson County</b>					
District 5 - County	01838	MUA	59.80	1994/05/11	
<b>Jasper County</b>					
Jasper Service Area	01766	MUA	38.50	1978/11/01	
MCD (?) Unknown					
<b>Jefferson County</b>					
Jefferson Service Area	01767	MUA	37.10	1978/11/01	
MCD (?) Unknown					
<b>Jefferson Davis County</b>					
Jefferson Davis Service Area	01768	MUA	26.50	1978/11/01	
MCD (?) Unknown					
<b>Jones County</b>					
Jones Service Area	01769	MUA	45.00	1978/11/01	
MCD (?) Unknown					
<b>Kemper County</b>					
Kemper Service Area	01770	MUA	22.00	1978/11/01	
MCD (?) Unknown					
<b>Lafayette County</b>					
Lafayette Service Area	01771	MUA	53.60	1978/11/01	
MCD (?) Unknown					
<b>Lamar County</b>					
Lamar Service Area	01772	MUA	41.20	1978/11/01	
MCD (?) Unknown					
<b>Lauderdale County</b>					
Lauderdale Service Area	01773	MUA	53.70	1978/11/01	
MCD (?) Unknown					
<b>Lawrence County</b>					



MS Cont'd  
**SUPPLEMENTAL - # 2****OCTOBER 31****12:20 pm**

Lawrence Service Area	01774	MUA	51.10	1978/11/01	
MCD (?) Unknown					
Leake County					
Leake Service Area	01775	MUA	36.20	1978/11/01	
MCD (?) Unknown					
Lee County					
Lee Service Area	01776	MUA	57.60	1978/11/01	
MCD (?) Unknown					
Leflore County					
Leflore Service Area	01777	MUA	29.60	1978/11/01	
MCD (?) Unknown					
Lincoln County					
Lincoln Service Area	01778	MUA	45.10	1978/11/01	
MCD (?) Unknown					
Lowndes County					
Lowndes Service Area	01779	MUA	45.80	1978/11/01	
MCD (?) Unknown					
Madison County					
Madison Service Area	01780	MUA	36.20	1978/11/01	
MCD (?) Unknown					
Marion County					
Marion Service Area	01781	MUA	40.10	1978/11/01	
MCD (?) Unknown					
Marshall County					
Marshall Service Area	01782	MUA	26.70	1978/11/01	
MCD (?) Unknown					
Monroe County					
Monroe Service Area	01783	MUA	44.80	1978/11/01	
MCD (?) Unknown					
Montgomery County					
Montgomery Service Area	01784	MUA	27.80	1978/11/01	
MCD (?) Unknown					
Neshoba County					
Neshoba Service Area	01785	MUA	38.30	1978/11/01	
MCD (?) Unknown					
Newton County					
Newton Service Area	01786	MUA	32.40	1978/11/01	
MCD (?) Unknown					
Noxubee County					
Noxubee Service Area	01787	MUA	26.50	1978/11/01	
MCD (?) Unknown					
Oktibbeha County					
Oktibbeha Service Area	01788	MUA	47.80	1978/11/01	
MCD (?) Unknown					
Panola County					
Panola Service Area	01789	MUA	31.00	1978/11/01	
MCD (?) Unknown					
Pearl River County					
Pearl River Service Area	01790	MUA	43.10	1978/11/01	
MCD (?) Unknown					
Perry County					
Perry Service Area	01800	MUA	44.10	1978/11/01	
MCD (?) Unknown					
Pike County					
Pike Service Area	01801	MUA	52.70	1978/11/01	
MCD (?) Unknown					
Pontotoc County					
Pontotoc Service Area	01802	MUA	44.50	1978/11/01	
MCD (?) Unknown					
Prentiss County					
Prentiss Service Area	01803	MUA	42.90	1978/11/01	
MCD (?) Unknown					
Quitman County					
Quitman Service Area	01804	MUA	32.20	1978/11/01	
MCD (?) Unknown					
Rankin County					
Rankin Service Area	01832	MUA	45.95	1994/05/12	
CT 0201.01					
CT 0209.00					
Rankin Service Area	01833	MUA	57.30	1994/05/12	
CT 0202.06					
CT 0202.07					
CT 0202.12					
CT 0203.01					
CT 0203.02					
CT 9800.00					
Rankin Service Area	01834	MUA	55.62	1994/05/12	
CT 0204.01					
CT 0204.02					
CT 0206.00					
CT 0208.02					
CT 0210.03					
Scott County					
Scott Service Area	01805	MUA	38.00	1978/11/01	
MCD (?) Unknown					



MS cont'd  
**SUPPLEMENTAL- # 2****OCTOBER 31****12:20pm**

<b>Sharkey Service Area</b>	01806	MUA	30.60	1978/11/01	
MCD (?) Unknown					
<b>Simpson County</b>					
<b>Simpson Service Area</b>	01807	MUA	42.10	1978/11/01	
MCD (?) Unknown					
<b>Smith County</b>					
<b>Smith Service Area</b>	01808	MUA	44.50	1978/11/01	
MCD (?) Unknown					
<b>Stone County</b>					
<b>Stone Service Area</b>	01809	MUA	45.20	1978/11/01	
MCD (?) Unknown					
<b>Sunflower County</b>					
<b>Sunflower Service Area</b>	01810	MUA	32.10	1984/07/03	
MCD (?) Unknown					
<b>Tallahatchie County</b>					
<b>Tallahatchie Service Area</b>	01811	MUA	30.10	1978/11/01	
MCD (?) Unknown					
<b>Tate County</b>					
<b>Tate Service Area</b>	01812	MUA	35.50	1978/11/01	
MCD (?) Unknown					
<b>Tippah County</b>					
<b>Tippah Service Area</b>	01813	MUA	56.00	1978/11/01	
MCD (?) Unknown					
<b>Tishomingo County</b>					
<b>Tishomingo Service Area</b>	01835	MUA	58.27	1994/05/12	
<b>Tunica County</b>					
<b>Tunica Service Area</b>	01814	MUA	30.70	1978/11/01	
MCD (?) Unknown					
<b>Union County</b>					
<b>Union Service Area</b>	01815	MUA	43.70	1978/11/01	
MCD (?) Unknown					
<b>Walthall County</b>					
<b>Walthall Service Area</b>	01816	MUA	30.80	1978/11/01	
MCD (?) Unknown					
<b>Warren County</b>					
<b>Warren Service Area</b>	01817	MUA	50.10	1978/11/01	
MCD (?) Unknown					
<b>Washington County</b>					
<b>Washington Service Area</b>	01818	MUA	39.80	1984/07/03	
MCD (?) Unknown					
<b>Wayne County</b>					
<b>Wayne Service Area</b>	01819	MUA	35.70	1978/11/01	
MCD (?) Unknown					
<b>Webster County</b>					
<b>Webster Service Area</b>	01820	MUA	32.10	1978/11/01	
MCD (?) Unknown					
<b>Wilkinson County</b>					
<b>Wilkinson Service Area</b>	01821	MUA	32.40	1978/11/01	
MCD (?) Unknown					
<b>Winston County</b>					
<b>Winston Service Area</b>	01822	MUA	32.40	1978/11/01	
MCD (?) Unknown					
<b>Yalobusha County</b>					
<b>Yalobusha Service Area</b>	01823	MUA	25.80	1978/11/01	
MCD (?) Unknown					
<b>Yazoo County</b>					
<b>Yazoo Service Area</b>	01824	MUA	32.10	1978/11/01	
MCD (?) Unknown					

NEW SEARCH

MODIFY SEARCH CRITERIA



THE MEMBERSHIP INTERESTS CREATED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW. EXCEPT AS SPECIFICALLY OTHERWISE PROVIDED IN THIS AGREEMENT, THE INTERESTS MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED WITHOUT REGISTRATION UNDER SUCH ACTS OR AN EXCEPTION FROM REGISTRATION THEREUNDER. ADDITIONAL RESTRICTIONS ON TRANSFER AND SALE ARE SET FORTH IN THIS AGREEMENT.

**OPERATING AGREEMENT**

**OF**

**CRESTWYN HEALTH GROUP, LLC**

**(a Tennessee Limited Liability Company)**



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## OPERATING AGREEMENT

OF

CRESTWYN HEALTH GROUP, LLC  
(a Tennessee Limited Liability Company)

THIS OPERATING AGREEMENT ("Agreement") is entered into and shall be effective as of the 31st day of January, 2013 (the "Effective Date"), by and among Crestwyn Health Group, LLC, a Tennessee limited liability company (the "Company"), and each Person named as a Member on Exhibit A attached hereto (as such Exhibit may be amended from time to time) and all other persons who may hereafter become Members under the terms of this Agreement.

W I T N E S S E T H:

WHEREAS, the Company was formed on January 25, 2013 as a limited liability company under and pursuant to the Tennessee Revised Limited Liability Company Act; and

WHEREAS, the Members desire to set forth herein their respective relationships, rights, obligations and agreements with respect to the Company and the governance thereof.

NOW, THEREFORE, in consideration of the mutual promises, covenants and undertakings hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

**1. DEFINITIONS.**

As used herein the following terms have the following meanings:

**"Act"** means the Tennessee Revised Limited Liability Company Act, as amended from time to time.

**"Affiliate"** means, with respect to any Person, (i) any Person directly controlling, controlled by or under common control with such Person, (ii) any Person directly owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person, (iii) any officer, director or manager of such Person and (iv) in the case of an Individual Member (a) such Individual Member's Family Members; (b) any trust for the benefit of an Individual Member or his Family Members; or (c) any Affiliate of a Family Member. For the avoidance of doubt, the term "Affiliate" shall not include any indirect owner of Acadia Healthcare Company, Inc.

**"Agreement"** means this Operating Agreement of Crestwyn Health Group, LLC, including all Exhibits hereto, as such Agreement or Exhibits may be amended from time to time pursuant to this Agreement hereof.

**"Appraised Value"** means the fair market value of the Interest of a divesting Member, as determined by qualified business appraisers as follows: the divesting Member (or if there are multiple divesting Members, then those divesting Members holding a majority of the Interests to be sold) shall select one appraiser and Managing Member a



second no later than twenty (20) days after notice is given by a divesting Member. In the event a party fails to select an appraiser or an appraiser fails to deliver a report within the prescribed time frame, the fair market value shall be determined by the appraiser whose report is delivered timely or who is selected timely as the case may be. Within forty-five (45) days of selection, each appraiser shall determine in good faith the fair market value of the Company in accordance with current standards of appraisal practice and shall attest to their methods used. The appraisers shall take into account all assets and liabilities of the Company (viewing the Company as a going concern) as of the valuation date in determining fair market value. Each appraiser shall supply the other with a copy of such appraisal report. If the appraisers mutually agree on a value, that shall be the value. If the appraised values are within fifteen percent (15%) of each other, then the average of the appraisals shall be the value. If the appraised values are more than fifteen percent (15%) apart, then the two appraisers shall, within fifteen (15) days following the completion of their appraisals, select a third appraiser. Within forty-five (45) days of selection, the third appraiser shall determine a value and that value shall be averaged with the nearest appraisal and the average shall be the value. The party whose appraiser's appraisal is not used shall bear the costs of the third appraisal. Each appraiser shall be an independent certified public accountant or other unaffiliated and unrelated business appraiser who would qualify as an "expert" for business appraisals in a court of law.

**"Approval of the Management Board," "Approved by the Management Board"** and similar expressions mean approval of a majority of the Managers.

**"Articles of Organization"** means the Articles of Organization of the Company filed with the Tennessee Secretary of State, as amended or restated from time to time.

**"Bankruptcy"** means, as to any Member, the Member's taking or acquiescing to the taking of any action seeking relief under, or advantage of, any applicable debtor relief, liquidation, receivership, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar law affecting the rights or remedies of creditors generally, as in effect from time to time. For the purpose of this definition, the term "acquiescing" shall include, without limitation, the failure to file within the time specified by law, an answer or opposition to any proceeding against such Member under any such law and a failure to file, within thirty (30) days after its entry, a petition, answer or motion to vacate or to discharge any order, judgment or decree providing for any relief under any such law.

**"Behavioral Business"** has the meaning set forth in Section 2.7.

**"Behavioral Health Services"** means services provided by a behavioral health hospital, residential treatment center, therapeutic group home, residential education facility, outpatient center or other facility providing behavioral health inpatient, outpatient, partial hospitalization or residential treatment services or other services that in any event involve behavioral health or chemical and drug dependency-related consulting and healthcare services.

**"Book Value"** means, with respect to any Company property, the Company's adjusted basis for federal income tax purposes, adjusted from time to time to reflect the adjustments required or permitted by Treasury Regulation Sections 1.704-1(b)(2)(iv)(d) (g).



**"Capital Account"** means, as to each Member, an account which is increased by his Capital Contribution and allocations of Net Profit, Gain on Sale, and items thereof to him and decreased by distributions and allocations of Net Loss, Loss on Sale, and items thereof to him and otherwise maintained in accordance with the Code and Treasury Regulation Section 1.704-1(b) as determined necessary by the Management Board so that such allocations in Article 4 of this Agreement are respected for federal income tax purposes.

**"Capital Contribution"** means of, or in respect of any Member, the amount of all cash, notes, and the fair market value of other property, tangible or intangible, contributed by such Member to the capital of the Company. The Fair Market Value of such other property shall be determined by the Management Board, in its sole discretion. The initial Capital Contribution of the Members are identified on attached Exhibit A.

**"Capital Proceeds"** means the aggregate of gross proceeds from (i) Capital Transactions, less principal payments on any existing Company debt, reserves set aside by the Management Board from the proceeds of such Capital Transactions, and other amounts utilized or retained by the Management Board for investment or use in the Company's business and (ii) any reserves previously set aside from Capital Proceeds, Capital Contributions and similar items which are reasonably deemed available for distribution by the Management Board.

**"Capital Transaction"** means (i) borrowing or refinancing or prepayment or modification of debt by the Company, or (ii) sale, lease condemnation, exchange or other disposition of Company assets.

**"Cash Available for Distribution"** means all cash funds of the Company on hand or in bank accounts beneficially owned by the Company, other than proceeds received from the sale of Interests on or after the date hereof less the Reserve.

**"Chairman"** shall mean the chairman of the Management Board as elected by Approval of the Management Board.

**"Class A Interests"** means all of the issued and outstanding membership interest in the Company originally issued to Hospital. The Class A Interests represent, as of the date hereof, twenty percent (20%) of all outstanding Interests. **"Class A Interest"** means a single Class A Interest.

**"Class A Members"** means the holders of the Class A Interests.

**"Class A Sharing Percentage"** means the number reflected as a percentage obtained by dividing the number of Class A Interests then owned by the given Member by the total number of Class A Interests then owned by all Members and multiplying such quotient by 0.20.

**"Class B Interests"** means all of the issued and outstanding membership interest in the Company originally issued to the Managing Member. The Class B Interests represent, as of the date hereof, eighty percent (80%) of all outstanding Interests. **"Class B Interest"** means a single Class B Interest.

**"Class B Members"** means the holders of the Class B Interests.



**"Class B Sharing Percentage"** means the number reflected as a percentage obtained by dividing the number of Class B Interests then owned by the given Member by the total number of Class B Interests then owned by all Members and multiplying such quotient by 0.80.

**"Class B Substitute Member"** has the meaning set forth in Section 7.6(b).

**"Code"** means the Internal Revenue Code of 1986, as amended from time to time. All references herein to Sections of the Code shall include any provision or any corresponding provisions of succeeding law.

**"Company"** means Crestwyn Health Group, LLC, a Tennessee limited liability company, the business and affairs of which are governed by this Agreement.

**"Competing Business"** means any business which is a provider of Behavioral Health Services in the Territory.

**"CON"** means a certificate of need authorizing the Company to build and operate a free-standing behavioral health hospital in Shelby County, Tennessee with at least eighty (80) beds.

**"Confidential Business Information"** has the meaning set forth in Section 7.4.5.

**"Covered Persons"** has the meaning set forth in Section 6.8.

**"Depreciation"** means, for each Fiscal Year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset of the Company for the Fiscal Year for federal income tax purposes; provided, however, that if the Book Value of an asset of the Company differs from its adjusted basis for federal income tax purposes at the beginning of the Fiscal Year, Depreciation will be an amount that bears the same ratio to the beginning Book Value as the federal income tax depreciation, amortization or other cost recovery deductions with respect to the asset for the Fiscal Year bears to the beginning adjusted tax basis; and provided further that if the adjusted basis for federal income tax purposes of an asset of the Company at the beginning of the Allocation Year is zero, Depreciation will be determined with reference to the beginning Book Value using any reasonable method selected by the Tax Matters Member, in its sole discretion.

**"Effective Date"** has the meaning set forth in the first paragraph of this Agreement.

**"Fair Market Value"** means the value of an Interest, as determined by the Management Board in good faith. If the Management Board cannot Approve a Fair Market Value, the Fair Market Value shall be the Appraised Value.

**"Family Member"** means a Person's spouse, siblings, ancestors and lineal descendants, as well as the spouse of each, and such Person's spouse and such spouse's siblings, ancestors and lineal descendants.

**"Fiscal Year"** means (a) the period commencing on the Effective Date and ending on December 31, (b) any subsequent twelve (12) month period commencing on January 1 and ending on December 31 or (c) any portion of the period described in clause (b) for which



the Company is required to allocate Net Profits, Net Losses and other items of Company income, gain, loss or deduction pursuant to Article 4 hereof.

**"GAAP"** means generally accepted accounting principles applied on a consistent basis.

**"Gain on Sale"** and **"Loss on Sale"** means the gain or loss, as the case may be, from the sale or disposition of any Company asset determined under the method of accounting used by the Company for federal income tax purposes. For purposes of determining Gain on Sale and Loss on Sale, if the Book Value of property is adjusted pursuant to Treasury Regulation Sections 1.704-1(b)(2)(iv)(f) or (e), such adjustment shall be taken into account as gain or loss from the disposition of a Company asset, and subsequent calculations of gain or loss resulting from the disposition of a Company asset for purposes of computing Gain or Loss on Sale shall be computed by reference to the asset's Book Value as reflected in Members' Capital Accounts rather than its adjusted tax basis. To the extent an adjustment to the tax basis of any Company asset pursuant to Code Section 734(b) of Code Section 743(b) is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decrease the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Gain on Sale or Loss on Sale.

**"Hospital"** means Baptist Memorial Health Services, Inc.

**"Individual Member"** means an owner of Interests who is a human being.

**"Interests"** means all of the issued and outstanding Membership Interest in the Company, including all Class A Interests and all Class B Interests. **"Interest"** means a single unit of either Class A Interest or Class B Interest.

**"Issuance Items"** has the meaning set forth in Section 4.6.

**"Management Board"** has the meaning set forth in Section 6.1.

**"Managers"** means the Persons appointed to the Management Board.

**"Managing Member"** means Acadia Merger Sub, LLC or such other Person appointed pursuant to Section 6.9.

**"Member"** means each Person as set forth on Exhibit A as amended from time to time (but excludes any Person who ceases to be a Member of the Company pursuant to this Agreement), and **"Members"** means all such Persons collectively.

**"Membership Interest"** shall mean a Member's entire ownership interest in the Company, including the Member's interest in distributions, Net Profits and Net Losses, and the Member's right to vote on or participate in governance or management of the Company, pursuant to the terms set forth herein.



**"Net Book Value"** shall mean the Book Value of the Company's assets less the Company's liabilities as reasonably determined by the Management Board.

**"Net Profits"** and **"Net Losses"** means for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such year or period; determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits or Net Losses shall be added to such taxable income or loss;

(ii) any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Profits or Net Losses shall be subtracted from such taxable income or loss;

(iii) Gain on Sale, Loss on Sale, Depreciation and any other items which are specially allocated pursuant to Exhibit B hereof shall not be taken into account in computing Net Profits or Net Losses.

**"Notice Date"** has the meaning set forth in Section 10.11.

**"Parent"** means Acadia Healthcare Company, Inc.

**"Person"** means any individual, partnership, corporation, trust, limited liability company, association, joint venture, investment fund, joint stock company, organization, business, trust or any other entity or organization, including a government or any department, agency or political subdivision thereof.

**"Provider"** means primarily hospitals, physicians and other healthcare providers who may refer patients for behavioral health services.

**"Purchase Notice"** has the meaning set forth in Section 7.2.4.

**"Purchasing Member"** has the meaning set forth in Section 7.2.4.

**"Regulations"** means, except as expressly provided to the contrary herein, the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. Unless otherwise provided herein and subject to applicable transition rules, if any, all references to sections of the Regulations shall include any corresponding provision or provisions of succeeding, substitute, proposed, or final Regulations the effective dates of which are applicable to the Company.

**"Regulatory Allocations"** has the meaning set forth in Section 4.2.

**"Reserve"** means a cash reserve equal to sixty (60) days of the Company's operating expenses plus sixty (60) days of the Company's debt service payments plus approved capital expenditures for the next sixty (60) days.



**"Services Agreement"** means a Services Agreement to be entered into between the Company and the Managing Member substantially in the form attached hereto as Schedule 1.

**"Sharing Percentage"** means, as to a Member, the aggregate percentage obtained by adding such Member's Class A Sharing Percentage to such Member's Class B Sharing Percentage. The Members hereby agree that their Sharing Percentages shall constitute their "interests in the Company profits" for purposes of determining their respective shares of the Company's "excess non-recourse liabilities" (within the meaning of Section 1.752-3(a)(3) of the Regulations).

**"Substituted Member"** means any Person admitted to the Company as a Member pursuant to this Agreement, including, without limitation, Class B Substitute Member.

**"Territory"** means Shelby County, Tennessee and a 30-mile radius around Shelby County, Tennessee.

**"Terminating Member"** has the meaning set forth in Section 7.2.

**"Terminating Event"** means in the case of any Member, any of the following:

(i) A Member has breached the material terms and conditions of this Agreement as determined in good faith by the Management Board. In the event of a breach, the non-breaching Member will provide the breaching Member with written notice of the breach. If the breaching Member does not cure the breach within sixty (60) days after receipt of the written notice, the non-breaching Member may immediately declare a "Terminating Event" by sending written notice to the breaching Member;

(ii) Bankruptcy of a Member; or

(iii) A Member is excluded from participating in the Medicare Program or any other government funded healthcare program.

**"Third Party Purchaser"** has the meaning set forth in Section 7.2.

**"Transfer"** means any involuntary or voluntary sale, lease, pledge, assignment, grant of a security interest, subcontract, dividend, merger, consolidation, gift or other disposition, direct or indirect, by operation of law or otherwise. A Transfer shall not include the following:

(i) A change of control of a majority of the voting equity capital of a Class B Member or a pledge of, or a grant of a security interest in the equity capital of a Class B Member or any transfer of such equity capital pursuant to an exercise of rights by any holder of such pledge or security interest;

(ii) A change of control of a majority of the voting equity capital of a Class B Member's Parent or a pledge of, or a grant of a security interest in the equity capital of a Class B Member's Parent or any transfer of such equity capital pursuant to an exercise of rights by any holder of such pledge or security interest;



(iii) A sale by the Parent of a Class B Member of all or substantially all of its assets or a pledge of, or a grant of a security interest in any of the assets of a Class B Member (including, without limitation, Class B Interests) or any transfer of such assets pursuant to an exercise of rights by any holder of such pledge or security interest; or

(iv) A pledge of the assets of the Company or a pledge of Interests by the Class B Member as required by any senior secured creditor of Parent or its Affiliates.

**"Transferring Member"** has the meaning set forth in Section 7.2.4.

**"Transfer Notice"** has the meaning set forth in Section 7.2.4.

**"Treasury Regulations"** means the income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding succeeding regulations).

The definitions in this Article 1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation." All references to Articles and Sections shall be deemed references to Articles and Sections of this Agreement, unless the context shall otherwise require. All references herein to Exhibits shall be deemed to be references to the Exhibit(s) attached to this Agreement. The terms "this Agreement," "hereof," "hereunder" and similar expressions refer to this Agreement as a whole and not to any particular Article or Section or other portion hereof and include any agreement supplemental hereto. The conjunction "or" shall be understood in its inclusive sense (and/or).

## 2. ORGANIZATION

2.1. **Formation.** The Company was formed pursuant to the Act by causing the Articles of Organization to be filed with the Tennessee Secretary of State. By execution of this Agreement, each of the Members hereby adopts and ratifies the Articles of Organization. Except as stated in this Agreement, the Act and the Articles of Organization shall govern the rights and liabilities of the Members.

2.2. **Name.** The name of the Company is "Crestwyn Health Group, LLC". The business of the Company shall be conducted under that name or such other name or names as may be Approved by the Management Board from time to time.

2.3. **Principal Office.** The principal place of business of the Company shall be at such place or places as determined by the Management Board from time to time.

2.4. **Term.** The Company was formed on January 25, 2013, the date the Articles of Organization was filed with the Tennessee Secretary of State, and shall continue until the date on which the Company is dissolved pursuant to Section 8.1 and thereafter, to the extent provided for by applicable law, until wound up and cancelled pursuant to Section 8.3 hereof.



2.5. **Registered Agent and Office.** The Company's registered office within the State of Tennessee and its registered agent at such address shall be as determined by the Management Board from time to time.

2.6. **No State Law Partnership.** The Members intend that the Company not be a partnership or joint venture and that no Member be a partner or joint venturer of any other Member as a result of being Members, for any purposes other than federal and state tax purposes, and this Agreement shall not be construed to suggest otherwise.

2.7. **Purposes.** The purposes of the Company shall be (a) to operate a facility or facilities that provides Behavioral Health Services in the Territory in a manner consistent with (i) applicable federal, state and other statutes, laws and regulations that govern such programs and (ii) the Medicare and Medicaid conditions of participation for such programs, (b) to engage in any and all activities related or incident thereto, including without limitation the acquisition, ownership, improvement, operation, sale, lease, sublease, mortgage or other use of or dealing with real, personal or mixed property (together, the "Behavioral Business") and (c) to conduct such other activities as may be necessary or appropriate to promote the Behavioral Business of the Company.

The Company shall at all times be operated in such a manner so as not to jeopardize the tax-exempt status of Baptist Memorial Health Care Corporation or any of its Affiliates, to the extent applicable, as organizations described in Code Section 501(c)(3). In furtherance thereof, the Members and the Board shall conduct the business and operations of the Company in such a manner as to satisfy (i) the charitable purposes generally required of hospitals under Code Section 501(c)(3) and the community benefit standard set forth in Revenue Ruling 69-545 and any amendments, modifications, or interpretive guidance thereto, including, without limitation (a) accepting all Medicare and Medicaid patients; (b) maintaining an open medical staff; (c) providing public health programs of educational benefit to the community; (d) generally promoting the health, wellness and welfare of the community by providing quality health care at a reasonable cost; and (ii) the charity care policy of the Company attached as Exhibit C, as may be amended from time to time by mutual agreement of the Members (collectively, the "Standards"). In the event there is a conflict between the operation of the Company in accordance with the Standards and any duty to maximize profits, the Board shall cause the Company to satisfy the Standards without regard to the consequences for maximizing profitability of the Company.

2.8. **Powers.** The Company shall have any and all powers which are necessary or desirable to carry out the purposes and business of the Company, to the extent the same may be legally exercised by limited liability companies under the Act. Subject to the limitations contained in this Agreement and in the Act, the purposes of the Company may be accomplished by the Management Board.

2.9. **General.** Except to the extent expressly otherwise provided in this Agreement, the Members shall not take part in the management or control of the Company business, have voting rights or sign for or bind the Company, such powers being vested exclusively in the Management Board as provided for herein.

2.10. **Limitation of Liability.** No Member shall, solely by reason of its status as a Member of the Company, have any personal liability whatsoever, whether to the Company or any creditor of the Company, for the debts of the Company or any of its losses beyond the amount of the Member's Capital Account. In the event that any Member shall,



by reason of its conduct within the scope of this Agreement, be subject to personal liability to a third party by being a Member of the Company, then such Member shall be entitled to the same rights of indemnification by the Company as that afforded to the Covered Persons under this Agreement.

2.11. **Tax Exempt Status of Hospital.** For so long as Hospital or an Affiliate of Hospital is a Member, the Company shall be operated and managed in a manner that furthers the charitable purposes of Hospital by promoting health for a broad cross-section of the community. The Company shall adopt and implement the charity care and financial assistance policies set forth on Exhibit C hereof. Specifically, the Company shall be operated and managed in a manner that:

(a) provides access to patient care services based on medical necessity, without regard to the patient's race, creed, national origin, gender, payor source or ability to pay;

(b) provides access to patient care services to individuals covered by Medicare or Medicaid; and

(c) will not (i) cause Hospital or any of its Affiliates to act in a manner inconsistent with its tax-exempt purpose, (ii) adversely affect Hospital's tax-exempt status under Code Section 501(c)(3), or (iii) create unrelated business taxable income to Hospital or any of its Affiliates.

In furtherance of this provision, Hospital may from time to time formulate and implement (or directly supervise any and all managers and officers of the Company in the implementation of) policies and procedures for operation of the Behavioral Business and the community benefit and outreach activities to be implemented by the Company to promote the public health needs of the community (including, without limitation, standards, policies and procedures regarding the Behavioral Health Services provided in the Territory, charity care rendered by the Company in the Territory, community education activities and other health services made accessible through the Company in the Territory to the public). Hospital shall have the right to make decisions regarding the administration of the charity care and financial assistance policies of the Company, to direct the administration of the charity care and financial assistance policies of the Company, and to initiate and enforce matters regarding the same. Furthermore, Hospital shall have the right to initiate, modify, amend, supplement and approve community benefit activities which Hospital believes are necessary or appropriate, and such decision shall be within the exclusive control of Hospital. Prior to taking any action pursuant to this Section 2.11, the Managers appointed by Hospital will consult with and seek advice from the Managers appointed by the Managing Member and the Managing Member with respect to any contemplated activities or actions, and will provide reasonably detailed information to the such Mangers and the Managing Member regarding the proposed activities or actions, and the reason such actions or activities are to be implemented. Any modification, deletion or repeal of any of the operating covenants and principles described in this Section 2.11 will require the express written approval of Hospital.

### 3. CAPITAL CONTRIBUTIONS, LOANS AND CAPITAL ACCOUNTS

3.1. **Capital Contributions.** Each Member shall make a contribution per Interest in an amount determined by the Management Board in its sole discretion.



Contributions may be made in cash or services or other property as determined by the Management Board. The Management Board, in its sole discretion, shall determine whether a contribution of services or property other than cash to the capital of the Company shall be allowed. For its initial Capital Contribution, the Class A Member shall contribute that certain parcel of real estate described more specifically on attached Exhibit 3.1, which has a deemed value of \$4,500,000.00 (the "Real Estate"). The Class A Member shall contribute the Real Estate on a date determined by the Management Board. For its initial Capital Contribution, the Class B Member shall contribute cash in the amount of \$18,000,000.00 for the purpose of constructing a behavioral health facility on the Real Estate and for the purpose of providing the Company working capital. The Class B Member shall contribute such cash in incremental amounts at determined by the Management Board.

3.2. **Ownership Interests.** As of the Effective Date, the Company has outstanding the Interests set forth on Exhibit A, which Interests are held by the Persons identified thereon. Interests issued after the date hereof shall be issued in accordance with this Agreement and at Fair Market Value. Exhibit A shall be amended to reflect all issuances and transfers of Interests.

3.3. **Additional Contributions.** Except upon the unanimous consent of the Members, no Member shall be required to make additional Capital Contributions to the Company. A Member may make additional capital contributions as are Approved by the Management Board.

3.4. **No Interest or Right to Withdraw.** No Member shall have the right to demand the return of, or otherwise withdraw, his contribution or to receive any specific property of the Company except as specifically provided in this Agreement. No Member shall have the right to demand and receive property other than cash in return for his contributions. No interest shall be paid on Capital Contributions or on balances in the Capital Accounts. No Member shall have the right to withdraw as a Member unless the other Member(s) consents to the withdrawal.

3.5. **Capital Accounts.** The Company will maintain a Capital Account for each Member. Each Member shall have only one Capital Account, regardless of the number of Classes of Interests owned by a Member and regardless of whether the Member has different interests in the Available Cash Flow, Net Profits, Net Losses, Gain on Sale, Loss on Sale and Depreciation.

3.6. **Effect of Transfer of Interests.** Upon the Transfer by any Member of any or all of its rights to or in the Interests, or any fraction thereof, pursuant to the provisions of this Agreement, the proportionate amount of its respective Capital Account balance, shall be transferred to the transferee of such Interest; provided, however, that no Transfer of any Interest shall, in and of itself, relieve the transferor of any of its obligations to the Company.

3.7. **No Negative Capital Account Make-up.** Notwithstanding any other provision in this Agreement or any inference from any provision in this Agreement, no Member shall have an obligation to the Company, to the other Members or to third parties to restore a negative Capital Account balance during the existence of the Company or upon the dissolution or cancellation of the Company.



3.8. Authority to Borrow.

(a) The Company may, from time to time, borrow such amounts from such Persons (including the Members pursuant to Section 3.9 below) on such security and payable on such terms as may be Approved by the Management Board. Unless otherwise unanimously approved by the Members, the obligations of the Company to repay any such loans shall be limited to the assets of the Company, all such loans shall be nonrecourse to the Members, and the Members shall have no individual liability under such loans. The Members hereby approve, consent to and ratify the borrowing of amounts pursuant to any credit agreement or loan agreement in place as of the date they become Members, including any amendments, replacements or refinancings of any such credit agreement or loan agreement.

(b) The Members hereby acknowledge and agree that the Company shall be jointly obligated on the current or (to the extent required by a future lender) any future credit agreement or loan agreement to which a Class B Member or any Person (referred to herein as a "Controlling Party") directly or indirectly owning or controlling fifty percent (50%) or more of the outstanding voting equity capital of a Class B Member is a party. In this regard, notwithstanding any contrary provision of this Agreement, the Members hereby agree to subordinate the payment of Distributions that would have otherwise be paid or distributed to them and any obligations arising from the amounts borrowed by the Company from any Member (including pursuant to Section 3.9 below) to the creditors of a Class B Member or its Controlling Party under such credit agreement or loan agreement in the event of any default by a Class B Member or its Controlling Party with respect to any current or future indebtedness under such credit agreement or loan agreement. The Members hereby approve, consent to and ratify:

(i) any Class B Member's pledge as security for debt obligations of such Class B Member or Controlling Party under such credit agreement or loan agreement of (A) the assets of the Company and (B) such Class B Member's Membership Interest in the Company; and

(ii) Company's (A) guaranty of debt obligations of such Class B Member or Controlling Party under such credit agreement or loan agreement and (B) Company's pledge and grant of security interest in its assets as security for such guaranty and/or debt obligations of such Class B Member or Controlling Party under such credit agreement or loan agreement.

3.9. Loans from Members. No Member shall make any loan to the Company or advance money on behalf of the Company without the prior Approval of the Management Board. The amount of any approved loan or advance shall not increase the Capital Account of the lending Member nor entitle the lending Member to any increase in such Member's Interests. The amount of any such loan or advance shall be a debt due from the Company to such lending Member, payable upon such terms and conditions and bearing reasonable interest at such rates as shall be agreed upon by the lending Member and Approved by the Management Board, provided that any loan payable other than in cash or in excess of the limits described in Section 6.2 below shall require unanimous approval of the Management Board. Except as otherwise provided in this Agreement and the commitment by the Managing Member to provide up to \$500,000 in the form of a revolving credit agreement, no Member shall be under any obligation to make any loans to the Company or advance any monies on behalf of the Company.



#### 4. ALLOCATION OF INCOME AND LOSS

##### 4.1. Allocation of Net Profits and Net Losses.

(a) After any allocations provided for on Exhibit B and Section 4.2 have been made, Net Profits shall be allocated between the Managing Member and the Class A Member in the following order and priority:

(i) First, to the Managing Member and Class A Member in proportion to and to the extent of the excess of (A) the cumulative Losses previously allocated to such Members pursuant to Section 4.2(b)(ii) over (B) the cumulative Net Profits previously allocated to such Members pursuant to this Section 4.1(a)(i);

(ii) Thereafter to the Managing Member and Class A Member in accordance with their Sharing Percentages.

(b) After any allocations provided for on Exhibit B and Section 4.3 have been made, Net Losses shall be allocated between the Managing Member and Class A Member in the following order and priority:

(i) First, to the Managing Member and the Class A Member, in proportion to and to the extent of the excess of (i) the cumulative Net Profits previously allocated to such Members pursuant to Section 4.1(a)(ii) over (B) the cumulative Net Losses previously allocated to such Members pursuant to this Section 4.1(b)(i);

(ii) Thereafter, to the Managing Member and the Class A Member, in accordance with their Sharing Percentages until the Class A Member's capital account reaches zero and then 100% to the Managing Member.

4.2. Allocation of Gain on Sale and Loss on Sale and Depreciation. After any allocations provided for on Exhibit B have been made, Gain on Sale or Loss on Sale and Depreciation shall be allocated between the Managing Member and Class A Member in accordance with their Sharing Percentages.

##### 4.4. Tax Allocations.

(a) All income, gains, losses and deductions of the Company will be allocated for federal, state and local income tax purposes among the Members in accordance with the allocation of such income, gains, losses and deductions among the Members for computing their Capital Accounts; except that if any such allocation is not permitted by the Code or other applicable law, the Company's subsequent income, gains, losses, deductions and credits will be allocated among the Members so as to reflect as nearly as possible the allocation set forth herein in computing their Capital Accounts.

(b) Items of Company taxable income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall be allocated among the Members in accordance with Code Section 704(c) so as to take account of any variation between the adjusted basis of such property to the Company for



federal income tax purposes and its Book Value. In addition, if the Book Value of any the Company asset is adjusted pursuant to the requirements of Treasury Regulation Section 1.704-1(b)(2)(iv)(f), then subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c). The Tax Matters Member shall determine all allocations pursuant to this Section 4.3(b) using any method that it determines, in its sole and absolute discretion, is reasonable under Treasury Regulation Section 1.704-3.

(c) In the event that any Capital Contribution, distribution or allocation made pursuant to this Agreement would (but for this Section 4.4(c)) cause the amounts allocated to the Members for federal and applicable state and local income tax purposes to not ultimately be consistent with the cumulative distributions the Members receive (or are entitled to receive), the Company shall, to the extent possible and solely for federal and applicable state and local income tax purposes, allocate its future income, gains, losses, deductions, and credits among the Members in a manner which shall result in the cumulative federal and applicable state and local income tax allocations to the Members being as nearly consistent with the cumulative distributions to the Members as possible.

(d) Allocations pursuant to this Section 4.4 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, the Members' Capital Accounts or shares of Net Profits, Net Losses, Gain on Sale, Loss on Sale, distributions or other the Company items pursuant to any provision of this Agreement.

4.5. Allocations in Case of Transfers. Except as provided below, Net Profit, Net Loss, and items of income, gain, deduction and loss allocable to any Member whose Interests have been transferred, in whole or in part, during any Fiscal Year shall be allocated among the persons who were the holders of such Interests during such year in proportion to their respective holding periods, without separate determination of the results of Company operations during such periods. Net Profit, Net Loss, and items of income, gain, deduction and loss, attributable to a sale or other disposition of all or any portion of the assets of the Company shall be allocated to those Members who were Members at the time of the occurrence of the disposition giving rise to such Net Profit, Net Loss and items of income, gain and loss.

4.6. Modification. The Management Board may modify the provisions of this Article 4 or any other provisions of this Agreement without the consent of the Members if, after consultation with counsel to the Company, the Management Board determines that such modification is necessary to (a) cause the allocations contained in this Article 4 to have substantial economic effect or otherwise be respected for federal income tax purposes under Code Section 704; (b) cause the allocation of Net Profits and Net Losses, Gain on Sale and Loss on Sale to conform, in accordance with the requirements of Code Section 704, to the distributions provided in Section 5.1; or (c) cause the provisions of the Agreement to comply with any applicable legislation, regulation or rule enacted or promulgated after the date of this Agreement, which change is necessary to enable the Company to carry out its purposes in the manner contemplated by this Agreement. Any such amendment shall be drafted so as to cause the least significant deviation from the provisions of this Agreement as originally set forth.



## 5. DISTRIBUTIONS

### 5.1. Distribution of Cash Available for Distribution and Capital Proceeds.

(a) Subject to Section 5.1(c), Cash Available for Distribution, shall be distributed to the Members in accordance with their Sharing Percentage.

5.2. Compensation or Reimbursement Not a Distribution. Authorized amounts payable as compensation or reimbursement to any Person other than in its capacity as a Member in the Company, such as for services rendered, goods purchased or money borrowed, shall not be treated as a distribution for purposes of this Article 5.

5.3. Consequences of Distributions. Upon the determination to distribute funds in any manner expressly provided in this Agreement, made in good faith, no Covered Person shall incur any liability on account of such distribution, even though such distribution may have resulted in the Company retaining insufficient funds for the operation of its business which insufficiency resulted in loss to the Company or necessitated the borrowing of funds by the Company.

### 5.4. Time of Cash Distributions.

(a) Cash Available for Distribution and Capital Proceeds, if any, shall be calculated from time to time by the Management Board and distributed to the Members at such times as determined by the Management Board from time to time, but no less often than quarterly.

(b) The Company shall use its best efforts to make pro rata distributions to the Members in amounts sufficient for the payment of taxes in accordance with the following:

(i) Notwithstanding and in addition to distributions in accordance with Section 5.4(a), the Company shall distribute not later than April 10, June 10, September 10 and December 10, to each Member an amount of cash equal to such Member's Quarterly Estimated Tax Amount for the first, second, third and fourth quarters, respectively, of the Taxable Year (each such distribution, a "Tax Distribution"). Each distribution with respect to an Interest shall be treated as a Tax Distribution pursuant to this Section 5.4(b) (whether or not designated as such) to the extent of such Interest's Undistributed Tax Distribution Entitlement. For purposes of this Agreement, an Interest's "Undistributed Tax Distribution Entitlement" means an amount determined immediately prior to a Tax Distribution with respect to such Interest equal to the excess (if any) of (A) the cumulative Tax Amount with respect to such Interest from the date of this Agreement to the date of such Tax Distribution over (B) the cumulative amount of all prior Tax Distributions made with respect to such Interest.

(ii) A Member's "Tax Amount" for a Taxable Year shall be the product of (A) the Applicable Tax Rate for each such Taxable Year multiplied by (B) the net taxable income allocated by the Company to such Member for such Taxable Year. "Applicable Tax Rate" means the combined federal, state and local tax rate applicable to the Members as determined by the Management Board (assuming that all of the Members are corporations or residents of the State of



Tennessee and paying taxes at the maximum applicable rates). The amounts in respect of tax withholding on payments to or from the Company for which Members (or owners directly or indirectly of such Members) are credited under applicable tax law shall be credited against payments of the Tax Amount to such Members. A Member's Tax Amount shall be determined initially by the Management Board on the basis of figures set forth on Internal Revenue Service Form 1065 filed by the Company and the similar state or local forms filed by the Company but shall be subject to subsequent adjustment pursuant to audit, litigation, settlement, amended return, or the like.

(iii) An "Estimated Tax Amount" for a Taxable Year shall be a Member's Tax Amount for such Taxable Year as estimated from time to time by the Management Board. A Member's "Quarterly Estimated Tax Amount" for any quarter of a Taxable Year shall be the excess of (A) the product of (x)  $\frac{1}{4}$  in the case of the first quarter of the Taxable Year,  $\frac{1}{2}$  in the case of the second quarter of the Taxable Year,  $\frac{3}{4}$  in the case of the third quarter of the Taxable Year, and 1 in the case of the fourth quarter of the Taxable Year and (y) such Member's Estimated Tax Amount for such Taxable Year over (B) all prior distributions of Quarterly Estimated Tax Amounts for such Taxable Year.

(iv) Each Member's Tax Amount, Estimated Tax Amount, and Quarterly Estimated Tax Amount shall be determined without regard to any items attributable to any adjustment of the tax basis of the Company's assets pursuant to Code Section 743(b) or any allocation of taxable income or loss pursuant to Code Section 704(c).

(v) The Tax Distributions described in this Section 5.4(b) may be suspended if required due to default under the Managing Member's or the Parent's credit facility as described in Section 10.13. If Tax Distributions are suspended then interest will be accrued on the portion of the Tax Distributions due to the affected Interests at the rate of 1% per month until such Tax Distribution including accrued interest are paid.

**5.5 Withholding.** The Company may withhold distributions or portions thereof if it is required to do so by any applicable rule, regulation, or law, and each Member hereby authorizes the Company to withhold from or pay on behalf of or with respect to such Member any amount of federal, state, local or foreign taxes that the Management Board reasonably determines that the Company is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement. Any amount paid on behalf of or with respect to a Member pursuant to this Section 5.5 shall be treated as having been distributed to such Member as an advance against the next distributions that would otherwise be made to such Member, and such amount shall be satisfied by offset from such next distributions. Each Member will furnish the Management Board with such information as may reasonably be requested by the Management Board from time to time to determine whether withholding is required, and each Member will promptly notify the Management Board if such Member determines at any time that it is subject to withholding.



## 6. GOVERNANCE

### 6.1. Management Board.

6.1.1 Effective for all purposes on the date of this Agreement, the Members shall form a Management Board of the Company consisting of five (5) members (the "Management Board"). So long as Managing Member is a Member, it shall be entitled to appoint three (3) Managers and so long as Hospital is a Member, it shall appoint two (2) Managers.

6.1.2 The Management Board shall be created and operate to consider all matters pertaining to the business of the Company. Each individual selected to serve on the Management Board shall serve for a term of one (1) year and thereafter until his successor is appointed or elected, unless he sooner resigns or is removed, provided that the initial Managers appointed in 2011 shall serve a term of two (2) years for the first term and one (1) year thereafter. A member of the Management Board may be removed with or without cause, only by the Member(s) who had the right to vote for his initial appointment. The unexpired term of a member of the Management Board who resigns or is removed shall be filled by an individual appointed by the Member(s) who had the right to vote on such Management Board member's initial appointment to the Management Board. The Chairman of the Management Board shall be selected annually from the members of the Management Board by Approval of the Management Board.

6.2. Powers of the Management Board. In addition to the powers granted to any Management Board under the Act and the powers granted to the Management Board pursuant to other provisions of this Agreement, the Management Board shall have the right and power to manage the business and the affairs of the Company with all powers necessary, advisable, or convenient to manage, control, administer and operate the business and affairs of the Company for the purposes herein stated, to make all decisions affecting such business and affairs, and to do all things which are necessary or desirable in the conduct of the business and affairs of the Company. Notwithstanding the forgoing, the Management Board shall not cause the Company to engage in any activities or take any action which is inconsistent with the tax-exempt status of Hospital, or would create unrelated business taxable income to Hospital. All Members are aware of the limitations on the activities of the Company under this Section 6.2 and agree that the decision of the Management Board to forego an action or activity which would be inconsistent with the tax-exempt status of Hospital shall not be a breach of the duty of loyalty or any other duty of the Management Board to the Company or its Members.

6.2.1 The Management Board shall have the power and authority to operate and manage the Company, such rights and powers of the Management Board shall include, but not be limited to, the powers to:

- (a) Enter into joint venture agreements, trust agreements or other fiduciary agreements for the purpose of holding legal or equitable title to the Company assets, provided that any agreement which will or may result in the Company no longer controlling the Company assets shall require the consent of 80% of the Managers;



(b) Lease all or any portion of any real property owned by the Company without limit as to the term thereof, whether or not such term (including renewal terms) will extend beyond the date of termination of the Company, and whether any property so leased is to be occupied by the lessee or, in turn, subleased in whole or in part to others, provided that any lease which is not at fair market value shall require the consent of 80% of the Managers; or

(c) Approval of annual operating and capital budget of the Company as submitted by the Managing Member, it being agreed that consent of 80% of the Managers is required for any significant changes to any item of income or expenditure set forth in a budget; provided, however, that no Managers approval shall be required for variations in expenditure levels from that set forth in an approved budget if such variations either (x) result from the ordinary course of business of the Behavioral Business (e.g., unexpected changes in patient levels or services provides), or (y) are required for the Behavioral Business to maintain its licensure or accreditation or to comply with legal requirements;

6.2.2 Without the consent of 80% of the Managers on the Management Board, the Management Board shall not have the authority to make the following decisions:

(a) Enter into a transaction involving the sale of all or substantially all of the assets of the Company;

(b) Cause the Company to convert into a different form of entity or to enter into a merger or consolidation with another entity or any recapitalization or other change in the capital structure of the Company;

(c) Amend, restate or modify this Agreement or the Articles of Organization, or change the name of the Company;

(d) The direct incurrence of indebtedness by the Company in excess of \$100,000 with respect only to money borrowed solely and directly by the Company from a third party or money borrowed solely and directly by the Company from the Class B Member in excess of an aggregate amount of \$500,000 (This consent obligation shall not apply in any way to funds borrowed directly or indirectly pursuant to any current or future credit facility of Parent or its Affiliates.);

(e) Lending to any person any of the funds of the Company;

(f) Approval of any contracts or modifications of any contracts between the Company and any Member or Affiliate of any Member;

(g) Any decision to file a petition requesting or consenting to an order for relief under the federal bankruptcy laws, or other actions with respect to the Company as a result of insolvency or the inability to pay debts generally as such debts become due;



(i) The payment by the Company of any distributions in respect of any Units (i) in any form other than cash or (ii) in any manner other than to the members in accordance with their respective Sharing Percentages;

(j) Hiring or firing the CEO of the Company;

(k) Any proposed actions that are inconsistent with any approved strategic plan of the Company;

(l) Any change in the nature of the business of the Company or any decision to carry on any other business not directly related to the Behavioral Business;

(m) Any amendment in whole or in part of any management agreement entered into by the Company;

(n) Approval of any contract, lease or capital expenditure in excess of \$250,000 per year for any transaction or group of related transactions not provided for in an approved budget (whether by purchase or lease and including any item set forth in the annual operating or capital expenditure budgets described above)

(o) The redemption or other repurchase by the Company of any Units other than on a pro rata basis to all Members based upon Unit ownership;

(p) The admission of any new Member of the Company;

(q) Any changes to the charity care and financial assistance policies of the Company; or

(r) Issue Interests or admit additional Members.

**6.3. Manner of Exercise of Management Board's Authority.** All responsibilities granted to the Management Board under this Agreement shall be exercised by the Management Board as a body, and no member of the Management Board, acting alone, shall have the authority to act on behalf of the Management Board, or through the Managing Member. Except as otherwise provided herein, all Management Board action shall require the Approval of the Management Board.

**6.4. Meetings of the Management Board.** The Management Board shall hold regular meetings on a quarterly basis or on such other periodic basis as the Management Board shall determine from time to time. Special meetings of the Management Board shall be held at the call of any three (3) Managers requesting such meeting through such Chairman, upon not less than five (5) business days written or telephonic notice to the members of the Management Board, such notice specifying all matters to come before the Management Board for action at such meeting. The presence of any member of the Management Board at a meeting shall constitute a waiver of notice of the meeting with respect to such member. The members of the Management Board may, at their election, participate in any regular or special meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can



hear each other. A member of the Management Board's participation in a meeting pursuant to the preceding sentence shall constitute presence in person at such meeting for all purposes of this Agreement. Minutes shall be taken by a person appointed by the Chairman of the Management Board and all minutes shall be Approved by the Management Board in writing.

6.5. **Quorum.** A quorum of the Management Board shall consist of those Managers whose vote is necessary to constitute Approval of the Management Board.

6.6. **Vote By Proxy.** Each Manager may authorize any individual to act on the Manager's behalf by proxy on all matters in which a Manager is entitled to participate, whether by waiving notice of any meeting or by voting or participating at a meeting. Every proxy must be signed by the Manager authorizing such proxy or such Manager's attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months after the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Manager executing it.

6.7. **Action Without a Meeting.** Notwithstanding anything to the contrary in this Agreement, any action that may be taken at a meeting of the Managers may be taken without a meeting by the consent of the Managers. Such consent shall be in writing, shall set forth the action so taken and shall be signed by the number of Managers whose vote would be necessary to authorize such action at a meeting of the Management Board. The consent may be executed in multiple counterparts. Each consent action of the Management Board shall be circulated to each member of the Management Board at the time that such action by written consent is taken even if such consent action will be effective upon its execution by less than all members of the Management Board. Transmission of any such consent action to the email address or facsimile number of such member of the Management Board reflected in the Company's records shall satisfy the obligations set forth in this Section 6.7.

6.8. **Liability of Covered Persons for Actions.**

(a) Notwithstanding any provision of this Agreement, common law or the Act, no member of the Management Board, the Managing Member, principal officer of the Company or the Tax Matters Member (the "Covered Persons") shall be liable to the Members or to the Company for any loss (including any liabilities, expenses and amounts incurred or paid, and including attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities) suffered which arises out of an act or omission of such Person, if, in good faith, it was determined by such Persons that such act or omission was in the best interests of the Company and such act or omission did not constitute fraud, willful malfeasance or bad faith. A Covered Person shall be indemnified by the Company against any and all claims, demands and losses (including any liabilities, expenses and amounts incurred or paid, and including attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities) incurred by such Covered Person by reason of the fact that such Covered Person was serving in any position set forth in the preceding sentence if such Covered Person (i) conducted itself in good faith; (ii) derived no improper personal benefit; and (iii) reasonably believed (A) in the case of conduct in its official capacity with the Company, that its conduct was in the Company's best interests and (B) in all other cases, that its conduct was at least not opposed to the Company's best interests; and (iv) in the case of any criminal



proceeding, had no reasonable cause to believe its conduct was unlawful; provided, the right to indemnification and payment of expenses shall exist unless and until it is determined in a final disposition that such indemnification and/or expense payment was not required hereunder, in which case the indemnitee shall repay all such indemnified and reimbursed amounts. The payment of any amounts for indemnification, including the payment of expenses incurred by any Covered Person in connection with the preparation and presentation of a defense or response to any claims covered hereby, shall be paid by the Company prior to the final disposition of such claims and before any distributions are made by the Company. The Company shall pay the amounts described herein to the Covered Person (or to the parties making claims against the Covered Person in satisfaction of said claims) within 10 days after written demand therefor is delivered to the Company by the Covered Person. No Member shall have any obligation to provide funds for any indemnification obligation hereunder.

(b) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article 6 shall not be exclusive of any other right which any Person may have or hereafter acquire under any applicable law, provision of the Articles of Organization, provision of this Agreement, vote of Members or otherwise.

(c) The Company shall maintain insurance, at its expense, to protect itself and any Person against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under Tennessee law.

(d) Any amendment, repeal or modification of any provision of this Section 6.8 shall not adversely affect any right or protection of a Member, the Management Board, any Manager, any Management Board committee, officer, employee or agent of the Company existing at the time of such amendment, repeal or modification.

**6.9. Appointment, Rights and Powers of Managing Member.** The initial Managing Member of the Company shall be Acadia Merger Sub, LLC. In the event that the Managing Member is finally determined by an arbitration panel pursuant to this Agreement to have willfully breached this Agreement or its duties to the Company, resigns, enters Bankruptcy, or is dissolved at any time, the Class A Member appointees to the Management Board shall appoint a new Managing Member. In addition to such power and authority granted to Managing Member by the Management Board, the Managing Member shall have the power to:

6.9.1 employ, retain or otherwise secure or enter into contracts with or for employees for the Company, consultants, accountants, agents or firms to assist in the business of the Company, all on such terms and for such consideration as the Managing Member deems advisable, such consideration to be a normal operating expense;

6.9.2 pay all operating costs and expenses associated with the ownership of the assets of the Company including without limitation, insurance, ad valorem taxes, maintenance costs, advisory, consulting, accounting and legal fees, and



principal and interest due on any indebtedness encumbering the assets of the Company;

6.9.3 subject to Section 3.8 and Section 3.9, borrow money on behalf of the Company and, if security is required therefor, to mortgage or subject to any other security device, any portion of the assets of the Company, to obtain replacements of any mortgage, security deed or other security device, and to prepay, in whole or in part, refinance, increase, modify, consolidate, or extend any mortgage, security deed or other device, all of the foregoing at such terms and in such amount as it reasonably deems to be in the best interest of the Company;

6.9.4 acquire and enter into any contract of insurance which the Managing Member deems necessary and proper for the protection of the Company, for the conservation of the assets of the Company, or for any purpose beneficial to the Company;

6.9.5 invest in short-term government obligations, certificates of deposit, tax-exempt obligations, interest-bearing deposits, money market accounts, or other cash equivalents, such funds of the Company as are temporarily not required in the Managing Member's opinion for use in conducting the business of the Company or in paying distributions to Members;

6.9.6 execute any guaranty or accommodation endorsement if it is reasonably incident to the conduct of the business of the Company;

6.9.7 open and maintain bank accounts for the deposit of the funds of the Company, with withdrawals to be made upon such signature or signatures as the Managing Member may designate;

6.9.8 execute, acknowledge and deliver any and all instruments, documents, certifications, or agreements necessary or convenient in connection with the conduct and operation of the business and purpose of the Company and/or in furtherance of any of the foregoing, including without limitation, executing contracts for the purchase or sale of goods or services and amendments to this Agreement in accordance with the terms of this Agreement;

6.9.9 set pricing for goods and services provided by the Company; and

6.9.10 subject to the Approval of the Management Board, establish the operating and capital budgets of the Company.

6.10. **Right to Rely on Managing Member.** No Person or governmental body dealing with the Company shall be required to inquire into, or to obtain any other documentation as to, the authority of the Managing Member to take any action permitted by this Agreement. Furthermore, any Person or governmental body dealing with the Company may rely upon a certificate signed by the Managing Member as to the following:

(a) the identity of the Managing Member or any Member;



(b) the existence or nonexistence of any fact or facts that constitute a condition precedent to acts by the Managing Member or which are in any other manner germane to the affairs of the Company;

(c) the Persons who are authorized to execute and deliver any instrument or document of the Company; or

(d) any act or failure to act by the Company on any other matter whatsoever involving the Company or any Member.

6.11. **Compensation of the Managing Member.** Except as provided in the Services Agreement, the Managing Member shall receive no compensation for its services as Managing Member, except that the Managing Member shall be entitled to its interest in the Net Profits, Net Losses and Cash Available for Distribution as set forth elsewhere in this Agreement; the Managing Member shall be entitled to receive repayment of any moneys lent to the Company, together with interest, if any, provided in connection with any such loan; the Managing Member shall be entitled to receive reimbursement for direct or indirect expenses it incurs for the benefit of the Company.

6.12 **Services Agreement.** Each Member hereby approves, consents to, and ratifies the Services Agreement.

6.13 **Limitation on Managing Member.** Notwithstanding any provision in this Agreement to the contrary, the Managing Member shall not cause the Company to engage in any activities or take any action which is inconsistent with the tax-exempt status of Hospital, or would create unrelated business taxable income to Hospital. All Members are aware of the limitations on the activities of the Company under this Section 6.13 and agree that the decision of the Managing Member to forego an action or activity which would be inconsistent with the tax-exempt status of Hospital shall not be a breach of the duty of loyalty or any other duty of the Managing Member to the Company or its Members.

6.14 **Baptist's Reserved Powers.** Notwithstanding the powers granted generally to the Members, the Management Board or delegations made to committees, the following actions shall require specific approval by Baptist Memorial Health Care Corporation: (a) withdrawal of the Company from participation in either the Medicare or Medicaid programs; (b) changes in the Company's charity care program; or (c) changes in the structure of the Company, its organizational documents or operating policies which, based on the opinion of independent counsel, would result in the Company or the Hospital operating in a manner that is inconsistent with charitable purposes and requirements within the generally understood meaning of Code Section 501(c)(3) or which could affect the tax exempt status of Baptist Memorial Health Care Corporation.

## 7. TRANSFER OF RIGHTS

7.1. **Admission of Members.** Persons may be admitted as Members of the Company at such time and on such terms as may be deemed appropriate by the Management Board and subject to 75% approval of the then existing Members. Further, to be admitted as a Member, a Person shall agree to be bound by this Agreement by executing an amendment to this Agreement or such other instrument satisfactory to the Management Board, delivering same to the Management Board and the Management Board's accepting same on behalf of the Company. Members have no preemptive rights.



7.2 **Transfers.** A Member may only Transfer its interest in the Company if it first complies with the following conditions:

7.2.1 The Management Board must consent to the Transfer of a Member's interest, and such consent may be withheld by the Management Board in its sole discretion. The Management Board will not consent to any Transfer of any interest or to the admission of any person as a substituted Member if, in its opinion, such consent and/or substitution would result in a termination of the Company within the meaning of the Code or would constitute a violation of any applicable federal or state law pertaining to securities or healthcare regulation. Any transfer of a Member's Interest (other than to a Class B Substitute Member) shall be subject to the right of first refusal of the Members set forth in Section 7.2.4 below.

7.2.2 The transferring Member and his purchaser, assignee or transferee must execute and deliver to the Company such instruments of transfer and assignment with respect to such transaction as are in form and substance satisfactory to the Management Board.

7.2.3 All costs of expenses incurred by the Company in connection with any Transfer of any Member's interest pursuant to this Agreement and/or in connection with another Person becoming a transferee or substituted Member in the Company in respect of such interest, including any filing, recording and publishing costs and fees and costs of counsel, shall be paid by, and be the responsibility of, the Member transferring such interest.

7.2.4 Before any Member (the "Transferring Member") completes a Transfer of an Interest to a third party, other than a Transfer to a Class B Substitute Member pursuant to Section 7.6(b), such Transferring Member shall provide the other Member(s) at least thirty (30) days' notice of the terms of the proposed Transfer. The terms and price of such Transfer shall be set forth in writing (the "Transfer Notice") and provided to each other Member in accordance with Section 10.1 hereof. The other Member(s) shall have a right of first refusal to purchase the Interest (or such Member's pro rata portion of such Interest) on the same terms set forth in the Transfer Notice, and such right of first refusal may be exercised by the non-transferring Member(s) by giving written notice thereof to the Transferring Member in accordance with Section 10.1 hereof (the "Purchase Notice") during the period of thirty (30) days immediately following the date that the Transferring Member notifies the Member(s) of the proposed Transfer. If a Member (the "Purchasing Member") elects to exercise its right of first refusal within such thirty (30) day period, then the Purchasing Member and the Transferring Member shall use their best efforts to consummate the sale and purchase of the Interests on the same terms as set forth in the Transfer Notice within sixty (60) days of the Purchasing Member's delivery of the Purchase Notice to the Transferring Member. Any Transfer in violation of this Section 7.2.4 shall be void.

7.2.5 In the event a Member (the "Terminating Member") fails or refuses to execute, acknowledge and deliver such instruments, or cause the same to be done, as shall be required to effectuate the closing of the Transfer of such Terminating Member's interests to or the merger of Company into Acquiring Party as described in this Section 7.2, the Acquiring Party may execute, acknowledge and deliver such documents for, on behalf of and in the stead of the Terminating Member, and such execution, acknowledge and delivery by the Acquiring Party shall be for all purposes as effective against and binding upon the



Terminating Member as though such execution, acknowledgment and delivery had been by the Terminating Member. The Terminating Member does hereby irrevocably constitute and appoint the Acquiring Party as the true and lawful attorney in fact of the Terminating Member and its successors and assigns, as the case may be, to execute, acknowledge and deliver such transfer and other documents contemplated by this Article. It is expressly understood, intended and agreed by the Terminating Member, for the Terminating Member and its successors and assigns, that the grant of the power of attorney to the Acquiring Party pursuant to this Section 7.2 is coupled with an interest, is irrevocable and shall survive the termination of the Terminating Member, as the case may be, or the assignment of the Interests of the Terminating Member in Company or the dissolution of Company.

**7.3 Transferees as Substitute Member.** A party who acquires an interest in the Membership and who becomes a Substitute Member as herein provided shall succeed to all of the rights and powers of a Member with respect to the interest in the Company which is acquired. A party who does not become a Substitute Member shall be entitled only to receive the share of Profits and Losses and the share of distributions of cash and the return of capital contributions to which the Member from whom he acquired his interest in the Company would have been entitled with respect to the interest in the Company which is acquired but, notwithstanding any other provision in this Agreement to the contrary, shall have no right to require any information or account of Company transactions, no right to inspect the Company books and no other rights and powers of a Member. A party who does not become a Substitute Member shall nevertheless be subject to all of the provisions of this Agreement and to all of the restrictions and liabilities under this Agreement with respect to the interest acquired. In the event of the Transfer of a Membership Interest in accordance with this Agreement, the Transferee may become a Substitute Member only after compliance with this Agreement.

**7.4 Required Transfer of Interests.** Under certain circumstances, a Member may be required to transfer his/her/its Interest.

**7.4.1 Terminating Event.** If a Terminating Event occurs with respect to a Member, such Member, or his successor, shall give written notice of the Terminating Event to the Management Board (the "Termination Notice"). The Management Board shall have the right, but not the obligation, to cause the Company to purchase the Interests of such Member during the sixty (60) day period commencing on the later of the date (i) the Management Board receives the Termination Notice or (ii) the Management Board has actual notice of the occurrence of the Terminating Event. The purchase price will be the Fair Market Value. The purchase price shall be paid in the manner set forth in Section 7.5. In the event the Company purchases Interests pursuant to a Terminating Event, the amount of the purchase price shall be deducted from Cash Available for Distribution to the Class of Members who own the same class of Interest that is being purchased.

**7.4.2 Subsequent Legislation** or Judicial or Administrative Interpretation of Existing Law. If the Managing Member, after consultation with counsel for the Company, determines that any Member is prohibited from owning an Interest in the Company as a result of the enactment of any statute, regulation or other law or the judicial or administrative interpretation of any existing or future statute, regulation or other law, the Management Board shall attempt to restructure the Company in order to comply with such enactment or interpretation. If any Member shall be so prohibited from owning an interest in the Company and the Company cannot be so restructured, the Company will purchase



all of the Members' Interests in the Company as provided in this Section 7.4.2. Additionally, if the enactment of any statute, regulation or other law or the judicial or administrative interpretation of any existing or future statute, regulation or law shall have the effect of materially and adversely limiting reimbursement of health care costs through government or other payor programs or otherwise materially and adversely affects the manner in which the Company or its Affiliates shall operate their businesses, the Management Board shall attempt to restructure the Company to eliminate the adverse effect and if the Company cannot be so restructured without material economic hardship, the Management Board, at its sole and absolute discretion, shall have the option to cause the Company to purchase all of the Members' Interests in the Company as provided in this Section 7.4.2 or shall have the option of selling the Company to a third party. With respect to a purchase of a Member's Interest pursuant to this Section 7.4.2, the Company shall pay each such Member the Fair Market Value for his/her/its Interest. For purposes of this Section 7.4.2, the enactment of any statute, regulation or other law or the judicial or administrative interpretation of any existing or future statute, regulation or other law that, in the opinion of legal counsel to the Company, is more likely than not going to require the Company to be restructured to enable Baptist Memorial Health Care Corporation to continue to satisfy all applicable requirements imposed by Code Section 501(c)(3) and the Treasury Regulations promulgated thereunder, such event or events shall be deemed to be an event which would prevent Baptist Memorial Hospital from owning an interest in the Company.

7.4.3 Non-Competition Provision. Except for the excluded interests identified or described on Exhibit 7.4.3, each Member agrees that while he is a Member and for two (2) years thereafter neither he nor any of its Affiliates shall, directly or indirectly, own, lease, manage, contract with, consult or be employed by a Competing Business. Each such Member expressly agrees that neither he nor any of its Affiliates shall violate the terms of this Section 7.4.3 while such Member is a Member and for a period of two (2) years thereafter. Each Member agrees that the restrictions contained in this Section 7.4.3 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this provision would result in damages to the Company which cannot be compensated by money alone. Each Member agrees that the Company will be entitled to injunctive relief without proving actual damages. If an arbitration panel hereunder shall hold that the duration and/or scope (geographic or otherwise) of the agreement contained in this Section 7.4.3 is unreasonable, then, to the extent permitted by law, the panel may prescribe a duration and/or scope (geographic or otherwise) that is reasonable and judicially enforceable. The parties agree to accept such determination, subject to their rights of appeal, which the parties hereto agree shall be substituted in place of any and every offensive part of this Section 7.4.3, and as so modified, Section 7.4.3 of this Agreement shall be as fully enforceable as if set forth herein by the parties in the modified form. The failure of any Member to comply with the provisions of this paragraph shall be a Terminating Event and the vote of the Management Board specified in Section 7.4.1 shall be taken without the vote of Board Members who were elected by the Member that caused the Terminating Event. For purposes of clarity, an Affiliate of a Member who is a human being shall not be prohibited from owning, leasing, managing, contracting with, consulting with or being employed by a Competing Business after such Affiliate is no longer an officer, director or manager of a Member, and such acts by a former Affiliate of a Member shall not be considered a violation of this Section 7.4.3 by the given Member. Furthermore, except for the Hospital, neither Acadia Healthcare Company, Inc. nor any of their respective directors, officers or Affiliates shall, without the prior written consent of Baptist Memorial



Health Care Corporation, directly or indirectly, own, operate, participate in, lease (as lessor or lessee), manage, develop, consult with, be employed by, hold a financial interest in (debt, equity, compensation or otherwise), or provide services for, any general acute care hospital located within the Territory.

7.4.4 Violation of Law. Each Member represents, warrants and agrees that he/it will not condition any referrals of patients to any Provider upon any Provider providing referrals to the Company or entering into any other contractual relationship with the Company. Each Member agrees that his/it will not undertake any actions which could cause the Company to violate any applicable federal or state laws. Each Member agrees to certify his/its compliance with this provision annually in such form as the Management Board may reasonably request. The failure of any Member to comply with the provisions of this paragraph shall be a Terminating Event.

7.4.5 Confidentiality. Each Member, and each agent or owner(s) thereof, shall keep secret and confidential, and agrees to keep secret and confidential, all information acquired relating to the following (all such information being hereinafter referred to as "Confidential Business Information"): (a) the financial condition and other information relating to the business of the Company, including without limitation, its operating costs, its operations and contracts, and its business and strategic plans, its compliance plan, its referral sources and customers, its policies and procedures, its product supply and services contracts, its managed care contracts, its employee contracts, its owners, its target markets and proprietary arrangements; and (b) the systems, products, plans, services, marketing, sales, administration and management procedures, trade relations or practices, techniques and practices heretofore or hereafter acquired, developed and/or used by the Company. No Member shall at any time disclose any such Confidential Business Information to any person, firm, corporation, association or other entity, other than as follows: (i) as necessary in connection with operating the business and affairs of the Company; (ii) by the Member to a potential third-party purchaser if such third party has executed a confidentiality covenant approved by the Management Board pursuant to which such third party has agreed to keep the Confidential Business Information strictly confidential and a copy of such confidentiality agreement was delivered to the Company prior to such disclosure and (iii) Member obtains Management Board authorization in writing and such forgoing persons execute company's nondisclosure agreement prior to disclosing any information to party's professional advisers (i.e., attorneys and accountants). Notwithstanding the foregoing, the term "Confidential Business Information" shall not include the following: (w) any information which was independently developed by a party without the use of the Confidential Business Information; (x) any information which is or becomes available in the public domain during the term of this Agreement; (y) any information which is ordered to be released by requirement of a governmental agency or court of law; and (z) any information independently made lawfully available to a party as a matter of right by a third party. Each Member agrees that these confidentiality covenants shall apply while an individual or entity is a Member and also for a period of five years thereafter.

7.5 Payment of Purchase Price of Member's Interest. If the Interest of a Member in the Company is purchased pursuant to Section 7.4.2 or as a result of a Terminating Event, the purchase price for the Interest shall be determined as set forth above and payable in the manner hereinafter set forth:



7.5.1 All obligations, if any, of the selling Member to the Company shall become immediately due and payable upon purchase of the interest. To the extent not previously taken into account pursuant to this Section 7.5.1, the purchase price shall be reduced by the amount of any such obligations.

7.5.2 The purchase price for the interest in the Company shall be paid in a lump sum.

7.5.3 No payment other than those specifically provided for herein shall be due or payable with respect to the interest of the Member whose interest in the Company is being purchased. Any debt due by the Company to the Member shall be payable according to its terms.

7.5.4 The closing of the purchase of the Interest in the Company pursuant to this Section 7.5.4 shall be held at the principal office of the Company within ninety (90) days following the giving of written notice to the Member of the election to purchase such Interest. At the closing, the Member shall deliver good and marketable title to the Interest(s) being purchased, free and clear of all liens and encumbrances to the Company and the Company shall pay, upon the terms specified hereinabove, the purchase price of such Member's interest in the Company to the Member after receiving appropriate releases and satisfactions.

## 8. DISSOLUTION AND CANCELLATION

8.1. Causes. Each Member expressly waives any right which he or it might otherwise have to dissolve the Company except as set forth in this Article 8. The Company shall be dissolved upon the first to occur of the following:

- (a) the approval of eighty (80%) of the Managers on the Management Board;
- (b) the dissolution of the Company by judicial decree; and
- (c) the occurrence of any other event causing dissolution of the Company under the Act or by the Tennessee Secretary of State.

Nothing contained in this Section 8.1 is intended to grant to any Member the right to dissolve the Company at will (by retirement, resignation, withdrawal or otherwise), or to exonerate any Member from liability to the Company and the remaining Members if it dissolves the Company at will. Any dissolution at will of the Company, including dissolution caused under Section 8.1(b), shall be in contravention of this Agreement for purposes of the Act. The Company shall not be dissolved by the replacement of the Management Board.

8.2. Reconstitution. If the Company is dissolved as a result of an event described in Section 8.1(b) or 8.1(c), the Company may be reconstituted and its business continued if, within one hundred eighty (180) days after the date of dissolution, upon Approval of the Management Board, the Members elect to reconstitute the Company. If the Company is reconstituted, an amendment to this Agreement shall be executed, and if and to the extent required by the Act, a Certificate of Amendment to the Articles of Organization shall be filed with the Tennessee Secretary of State.



8.3. **Sale of Assets; Winding Up; Cancellation.** Unless otherwise Approved by the Management Board, at the time of liquidation, any property owned by the Company shall be sold for cash, and each Member shall have the right to bid competitively for any such asset being sold. Any cash received from the sale of the Company's assets shall be used first to pay the Company's debts to creditors other than the Members; provided, however, for this purpose, a Member which is owed money for goods or services provided to the Company or is entitled to indemnification pursuant to Article 6 shall be deemed an unrelated creditor. Any cash remaining after payments to creditors, other than the Members, shall be used to repay other debts to Members. Once all Member debt is repaid, the remaining cash received from the sale of the Company's assets shall be distributed to the Members in proportion to their Sharing Percentage. After all of the Company's assets have been distributed in accordance with this Section 8.3, the Managing Member, upon Approval of the Management Board, shall file the Certificate of Dissolution of the Company with the Tennessee Secretary of State.

8.4. **Distributions in Accordance with Capital Accounts.** In the event the Company is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made in all cases, in accordance with the Members' positive Capital Account balances determined after all adjustments to the Members' Capital Accounts for the taxable year. Such distribution shall be made within the time periods required by Treasury Regulation Section 1.704-1(b). In the discretion of the Management Board, a pro rata portion of the distributions that would otherwise be made to the Members may be:

(a) distributed to a trust established for the benefit of the Members for the purpose of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities in connection with the Company or of the Managing Member arising out of or in connection with the Company. The assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Management Board, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed the Members under this Agreement; and

(b) withheld to provide a reasonable reserve for Company liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Company, provided that such withheld amounts shall be distributed to the Members as soon as practicable in the same proportions as such amounts would otherwise have been distributed to the Members under Section 5.1.

8.5. **Deemed Contribution and Distribution.** Notwithstanding any other provisions of this Article 8 other than Section 8.6, in the event the Company is liquidated within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g) but the Company is not required to be dissolved and wound up pursuant to Section 8.1 and 8.3, the assets of the Company shall not be liquidated, the Company's liabilities shall not be discharged, and the Company's affairs shall not be wound up. Instead, solely for federal income tax purposes, the Company shall be deemed to have contributed the assets and liabilities of the Company in kind to a new Company in exchange for an interest in the new Company. Immediately thereafter, the Company shall be deemed to have distributed interests in the new Company to the Members in proportion to their respective interests in the Company.



8.6. **Dissolution Upon Failure to Obtain CON.** Notwithstanding any other provisions of this Article 8, the Company and each of the Members hereby covenant and agree that if the Company is not issued the CON on or prior to December 31, 2013, then promptly after such date, the Company shall be dissolved and the assets of the Company shall be distributed to the Members as follows: (a) the Real Estate shall be distributed by the Company to the Class A Member in its "AS IS" condition free and clear of all encumbrances and (b) all other assets of the Company, including cash, shall be distributed to the Class B Member free and clear of all encumbrances. After dissolution of the Company, the Class A Member shall then terminate the existence of the Company as promptly as possible.

## 9. BOOKS OF ACCOUNT, TAX COMPLIANCE AND FISCAL YEAR

9.1. **Books and Records.** The Company shall keep books of account and records relative to the Company's business. The books shall be prepared in accordance with GAAP using the accrual method of accounting. The Company's books and records shall at all times be maintained at the principal business office of the Company or its accountants (and, to the extent required by the Act, at the registered office of the Company) and shall be available for inspection by the Members or their duly authorized representatives during reasonable business hours.

9.2. **Determination of Net Profit and Net Loss; Financial Statements.** All items of Company income, expense, gain, loss, deduction and credit shall be determined with respect to, and allocated in accordance with, this Agreement for each Member for each Fiscal Year, except as otherwise required by the Code and/or the Regulations. Within forty-five (45) days after the end of each month, and within ninety (90) days after the end of each Fiscal Year, the Management Board shall cause to be prepared, at Company expense, unaudited financial statements of the Company for the preceding month or Fiscal Year, as applicable, including, without limitation, a balance sheet, profit and loss statement and statement of cash flows, prepared in accordance with the terms of this Agreement and GAAP consistently applied with prior periods. The Company shall make available on a timely basis to the Class A Member the financial statement information prepared in accordance with the terms of this Agreement and GAAP consistently applied with prior periods deemed necessary by the auditors of the Class A Member.

9.3. **Tax Returns and Information.** The Members intend for the Company to be treated as a partnership for tax purposes, but not for any other purposes. The Tax Matters Member shall, at Company expense, prepare or cause to be prepared all federal, state and local income and other tax returns which the Company is required to file and shall furnish such returns to the Members, together with a copy of each Member's Schedule K-1 and any other information which any Member may reasonably request relating to such returns, within ninety (90) days after the end of each Fiscal Year of the Company. The Tax Matters Member shall have the authority to extend the filing of the Company's tax return.

9.4. **Tax Audits.** Managing Member shall be the "tax matters partner" of the Company under Code Section 6231(a)(7) (the "Tax Matters Member"). The Tax Matters Member shall represent the Company in all administrative and judicial proceedings involving federal income tax matters as the "Tax Matters Member." In connection therewith, the powers of the Tax Matters Member shall include, but are not limited to, the power to:



(a) appoint an attorney-in-fact to represent the Company in such proceeding;

(b) engage in any activities enumerated in Subchapter C of Chapter 63 of the Internal Revenue Code;

(c) employ attorneys, accountants, appraisers, consultants, and such other persons as deemed appropriate;

(d) make any and all elections for federal, state, and local tax purposes, including, without limitation, any election if permitted by applicable law: (i) to adjust the basis of Company assets pursuant to Code Sections 754, 734(b) and 743(b), or comparable provisions of state or local law; and (ii) to extend the statute of limitations for assessment of tax deficiencies against Members with respect to adjustments to the Company's federal, state or local tax returns; and

(e) represent the Company and Members before taxing authorities or courts of competent jurisdiction in tax matters affecting the Company and Members in their capacity as Members, and to execute any agreements or other documents relating to or affecting such tax matters including agreements or other documents that bind the Members with respect to such tax matters or otherwise affect the rights of the Company or Members.

The Tax Matters Member shall provide all Members affected by a Company-level proceeding before the Internal Revenue Service with such notice of the proceeding as is required by the Code. The preceding sentence shall be deemed to be satisfied by mailing such notice to each Member's last known address. The Company shall indemnify and reimburse the Tax Matters Member for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members and against any and all loss, liability, cost or expense, including judgments, fines, amounts paid in settlement and attorneys' fees and expenses, incurred by the Tax Matters Member in any civil, criminal or investigative proceeding in which the Tax Matters Member is involved or threatened to be involved solely by virtue of being Tax Matters Member, except such loss, liability, cost or expense arising by virtue of the Tax Matters Member's gross negligence, fraud, malfeasance, breach of fiduciary duty or intentional misconduct. The payment of all such expenses shall be made before any distributions are made to any Member. No Member, nor any other Person shall have any obligation to provide funds for such purpose.

9.5. **Fiscal Year.** The Company's fiscal year shall be the Fiscal Year.

9.6 **Reports to Members.** The Managing Member shall cause to be prepared and shall deliver to each Member within ninety (90) days after the end of each Fiscal Year, all information necessary for the preparation of the Members' federal and state income tax returns; provided, however, the Tax Matters Member shall have the authority to extend the filing of the Company's tax return.

The Managing Member shall be reimbursed for the expense of third parties, such as accountants or attorneys, who are utilized by the Managing Member in preparing the following on behalf of the Company: tax returns, audits of financial records if required,



informational returns as required by ERISA and government agencies and other services as reflected in the operating budget.

9.7 **Bank Accounts.** All funds of the Company shall be deposited in such financial institutions as shall be designated by the Managing Member from time to time. Withdrawals therefrom shall be made upon such signature or signatures as the Managing Member may designate. Nothing contained herein shall prohibit the Company from participating in a cash management system, pursuant to which the Company will be required to transfer all of its excess cash balances to one of Managing Member's central bank accounts on a daily basis in accordance with Managing Member's overall cash management system.

9.8 **Accounting Decisions.** All decisions as to accounting matters shall be made by the Managing Member in accordance with GAAP.

9.9 **Expenses of the Company.** The Managing Member and its Affiliates may charge, and be reimbursed by, the Company for all direct expenses incurred by them in connection with the formation of the Company, the financing of the Company or the Company's business, or as otherwise described in the Services Agreement.

## 10. GENERAL PROVISIONS

10.1 **Notices.** All notices, consents, waivers, directions, requests, votes or other instruments or communications provided for under this Agreement shall be in writing, signed by the party giving the same, and shall be deemed received and properly given when actually received, if delivered in person, or when mailed, if sent by registered or certified United States mail, postage prepaid, addressed, or when sent by facsimile transmission: (a) in the case of the Company, to the Company at the principal place of business of the Company or to the facsimile number set forth on Schedule A hereto; or (b) in the case of any Member individually, to such Member at his address or facsimile number set forth in Schedule A hereto. Each Member may, by written notice to all other Members, specify any other address for the receipt of such instruments or communications.

10.2 **Integration.** This Agreement embodies the entire agreement and understanding among the Members and supersedes all prior agreements and understandings, if any, among and between the Members relating to the subject matter of this Operating Agreement.

10.3 **Governing Law and Alternative Dispute Resolution.** This Agreement and the rights of the Members shall be construed and enforced in accordance with the laws of the State of Tennessee without regard to its principles of conflicts of laws. Each Member hereby irrevocably and unconditionally consents to applying Tennessee law to any proceeding arising out of or relating to this Agreement. Each Member hereby irrevocably and unconditionally agrees that any controversy, dispute or disagreement arising out of, or relating to, this Agreement, the breach, subject matter, or the termination or expiration of this Agreement, to the maximum extent allowable by applicable law, will be subject first to resolution through informal methods and, failing such efforts, exclusively through binding arbitration. Except where provisional or temporary remedies are sought, in the event of any dispute, controversy or claim arising out of or in connection with or relating to this Agreement or any alleged breach hereof, the parties shall first negotiate the matter between themselves in good faith. If direct negotiations do not resolve the matter, or if the



parties are unable to renegotiate this Agreement as required under any Article or provision hereof, either party may demand in writing that it may be submitted to mediation. After delivery of the notice of mediation, the parties shall select a mediator who will render a recommended resolution of the dispute. The parties will share the cost of the mediator. If mediation does not resolve the dispute within ninety (90) days after the written notice of mediation is delivered, either Member may file a written demand for arbitration with the other Member. The arbitration will proceed in accordance with the terms of the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration. A panel of three arbitrators will be appointed through the American Health Lawyers Association's procedures to resolve the dispute. The arbitration will be conducted within Tennessee the Practice State and at a location agreed upon by the Members. The award of the arbitration panel will be binding and conclusive upon the Members, any other entity controlled by, in control of or under common control with the Member to the extent that such affiliate joins in the arbitration. Either Member will have the right to have the award made the judgment of a court of competent jurisdiction in Tennessee.

10.4 **Counterparts.** This Agreement may be executed in several counterparts and all counterparts so executed shall constitute one agreement binding on all the parties hereto, notwithstanding that all the parties are not signatory to the original or the same counterpart.

10.5 **Severability.** In case any one or more of the provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

10.6 **Binding Effect.** Except as herein otherwise provided to the contrary, this Agreement shall be binding upon, and inure to the benefit of, the Members and their respective heirs, executors, administrators, successors and assigns.

10.7 **Waiver of Action of Partition.** The Members agree that the property of the Company is not and will not be suitable for partition and that all the property of the Company should be dealt with as a single, integral unit. Accordingly, each of the Members hereby irrevocably waives any and all rights that he may have to maintain an action for partition of any of the property of the Company, either as a partition in kind or a partition by sale.

10.8 **Waiver of Jury Trial.** IN CONJUNCTION WITH SECTION 10.3 ABOVE, EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.



10.9 **Construction.** Every covenant, term, and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Member. The failure by any party to specifically enforce any term or provision hereof or any rights of such party hereunder shall not be construed as the waiver by that party of its rights hereunder. The waiver by any party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision hereof.

10.10 **Amendments.** Amendments to this Agreement may be made in the following manner:

10.10.1. Amendments to this Agreement may be proposed by the Management Board. Following such proposal, the Management Board shall submit to the Members a written statement of any proposed amendment, including a complete description of the proposed amendment and the reasons therefor, and may include in any such submission their recommendation as to the proposed amendment. The Management Board shall seek the consent of the Members on the proposed amendment or shall call a meeting of or action by consent of the Members pursuant to Section 10.11 of this Agreement to vote thereon and to transact any other business permitted by the Act to be transacted by the Members that they may deem appropriate. A proposed amendment shall be adopted and effective as an amendment to this Agreement if it receives the affirmative vote of the Management Board and all of the Members.

10.10.2. The Management Board may, upon approval by eighty (80%) percent of its Managers, without obtaining the consent of the Members, amend this Agreement from time to time:

10.10.2.1. To add to the representations, duties or obligations of the Management Board or surrender any right or power granted to the Management Board herein for the benefit of the Members.

10.10.2.2. To cure any ambiguity, to correct or supplement any provision herein or therein which may be inconsistent with any law or with any other provision herein.

10.11 **Meeting of Members and Voting by Written Consent.** The Management Board may at any time call a meeting of the Members or for a vote of the Members, without a meeting, of the Members on matters on which they are entitled to vote, and shall call for such meeting or vote following receipt of written request therefor of Members holding in the aggregate a Sharing Percentage of greater than ten percent (10%) as of the date of receipt of such written request (the "Notice Date"). Within ten (10) days of the Notice Date, the Management Board shall notify all Members of record as of the Notice Date that a meeting, if called, will be held at the Company's principal place of business at a time requested by the Member(s) calling the meeting, or, if no such meeting has been called, the date upon which votes without a meeting will be counted, which date in either case shall be not less than fifteen (15) days nor more than sixty (60) days after the Notice Date. Written notice of any meeting or any vote without a meeting shall be given by the Management Board as provided in this Section 10.11 of this Agreement not less than ten (10) nor more than sixty (60) days before the date of such meeting or vote and shall include a detailed statement of the action proposed (including a statement of the substance of any resolution proposed for



adoption by the Members and any proposed amendment to the Agreement) and may include in any such submission the Management Boards' recommendation with respect to the proposal. All expenses of the voting and such notification shall be borne by the Company.

**10.12 Manner of Member Voting.** A Member who is entitled to vote shall be entitled to cast his vote: (i) at a meeting, in person, by written proxy or by a signed writing directing the manner in which he desires that his vote be cast, which writing must be received by the Management Board prior to such meeting, or (ii) without a meeting, by a signed writing directing the manner in which he desires that his vote be cast, which writing must be received by the Management Board prior to the date upon which the votes of Members of record on the Notice Date, whether at a meeting or otherwise, shall be counted. The laws of the State of Tennessee pertaining to the validity and use of corporate proxies shall govern the validity and use of proxies given by Members. At each meeting of Members, the Management Board shall appoint such officers and adopt such rules for the conduct of such meeting as the Management Board shall deem appropriate, subject to the matters set forth in this Section. Unless a greater percentage is required by the Act or this Agreement, the presence of the a majority of the Management Board and holders of a Sharing Percentage of at least sixty percent (60%) shall constitute a quorum at any meeting for the transaction of business. To the extent that the Management Board takes any action at a meeting where less than eighty percent (80%) of the members of the Management Board are present, the Company shall provide written notice of such action within ten (10) days of such meeting to each member of the Management Board not present at such meeting. The Members may, at their election, participate in any Member meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. A Member's participation in a meeting pursuant to the preceding sentence shall constitute presence in person at such meeting for all purposes of this Agreement. Minutes shall be taken by a person appointed by the Chairman of the Management Board and all minutes shall be Approved by the Management Board in writing. In connection with each meeting or vote without a meeting of the Members, the Company shall provide for proxies or written consents which specify a choice between approval and disapproval of each matter to be acted upon at the meeting or by vote without a meeting. For purposes of obtaining a vote under this Agreement, the Management Board may require a written response within a specified time, but not less than ten (10) days nor more than thirty (30) days, and provide that failure to respond in such time shall constitute a vote which is consistent with the Management Board's recommendation, if made, with respect to the proposal.

**10.13 Working Capital Funding; Company and Managing Member Debt Obligations.** The Managing Member shall fund the working capital needs of the Company pursuant to a revolving line of credit. The line of credit will bear interest at the Managing Member's cost of funds plus two percent (2%). The Managing Member may borrow funds from the Company on the same terms. The Members hereby acknowledge that the Company shall be jointly obligated on the current or any future credit facility with any senior creditor of Parent. In this regard, notwithstanding any contrary provision of this Agreement, the Class A Member hereby agrees to subordinate the payment of its quarterly distributions to senior secured creditors of the Managing Member or its Parent in the event of any default by the Managing Member or its Parent on any current or future indebtedness. The Class A Member also agrees to allow the Managing Member to pledge (i) the assets of the Company and (ii) the Managing Member's Interests in the Company as security for debt obligations of the Managing Member or its Parent.



**10.14 No Requirement of Patient Referrals.** The parties hereto affirmatively acknowledge and agree that none of the Members nor their Affiliates are under any obligation to refer patients to the Company, and Members are allowed to refer patients to other providers of Behavioral Health Services located inside or outside of the Territory.

**10.15 Consolidated Financials.** It is the intention of the Members that the Class B Member shall have such rights as are necessary for the Class B Member to be able to consolidate the financial results of operations and financial condition of the Company with the financial results of operations and financial condition of the Class B Member and its Affiliates in accordance with the accounting principles of the Company determined in accordance with GAAP by the Class B Member and applied on a consistent basis, as such may change from time to time.

**10.16 Right to Purchase Interest in Delta Medical Center.** At any time on or after the date of issuance of the CON to the Company and until and including February 1, 2014, the Class A Member may purchase up to twenty percent (20%) of the outstanding capital stock of DMC-Memphis, Inc. (the "DMC Stock") from an Affiliate of the Class B Member. The purchase price of the DMC Stock shall be equal to 20% of the sum of the following: (i) the purchase price paid by the Affiliate of the Class B Member pursuant to that certain Stock Purchase Agreement, dated December 20, 2012, by and among Acadia Merger Sub, LLC, DMC-Memphis, Inc. and DMC-Memphis, Inc. Employee Stock Ownership Plan (the "Stock Purchase Agreement"); plus (ii) the amount of any liabilities assumed by Acadia Merger Sub, LLC under the Stock Purchase Agreement, other than accounts payable arising in the ordinary course of business; plus (iii) the amount paid by any Affiliate of the Class B Member in connection with capital improvements to Delta Medical Center. Upon receipt of notice from the Class A Member of its exercise of its purchase right pursuant to this Section 10.16, the Class B Member shall cause its Affiliate to transfer good and marketable title to the DMC Stock, free and clear from all liens and encumbrances, to the Class A Member. The purchase of the DMC Stock will be completed upon the delivery of the purchase price for the DMC Stock from the Class A Member to the Affiliate of the Class B Member.

*(Signature Page Follows)*



IN WITNESS WHEREOF, the Company and the Members have executed this Operating Agreement as of the date first above written.

MANAGING MEMBER:

**ACADIA MERGER SUB, LLC**

By: [Signature]  
Name: Stephen T. Davidson  
Title: Chief Development Officer

CLASS A MEMBER:

**BAPTIST MEMORIAL HEALTH SERVICES, INC.**

By: [Signature]  
Name: Jason Little  
Title: EVP/COO

COMPANY:

**CRESTWYN HEALTH GROUP, LLC**

By: [Signature]  
Name: Stephen T. Davidson  
Title: Chief Development Officer



MEMBERS' OWNERSHIP INTERESTS

	# of Interests	Capital Contribution
BAPTIST MEMORIAL HEALTH SERVICES, INC.	20%	\$4,500,000.00
ACADIA MERGER SUB, LLC	80%	\$18,000,000.00
<b>TOTAL:</b>	100%	\$22,500,000.00



1. Defined Terms.

"Adjusted Capital Account Deficit" means with respect to any Capital Account as of the end of any Fiscal Year, the amount by which the balance in such Capital Account is less than zero. For this purpose, such Person's Capital Account balance shall be (i) reduced for any items described in Treasury Regulation Section 1.704 1(b)(2)(ii)(d)(4), (5), and (6), and (ii) increased for any amount such Person is obligated to contribute or is treated as being obligated to contribute to the Company pursuant to Treasury Regulation Section 1.704 1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704 2(g)(1) and 1.704-2(i) (relating to Minimum Gain).

"Minimum Gain" means the partnership minimum gain determined pursuant to Treasury Regulation Section 1.704-2(d).

"Regulatory Allocations" has the meaning set forth in Section 2 of this Exhibit B.

2. Special Allocations.

(a) Partner Nonrecourse Deductions and Minimum Gain Chargeback. Items of losses and deductions attributable to partner nonrecourse debt (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated in the manner required by Treasury Regulation Section 1.704-2(i). If there is a net decrease during a Fiscal Year in partner nonrecourse debt minimum gain (as defined in Treasury Regulation Section 1.704 2(i)(3)), items of income and gain for such Fiscal Year (and, if necessary, for subsequent Fiscal Years) shall be allocated to the Members in the amounts and of such character as determined according to Treasury Regulation Section 1.704 2(i)(4).

(b) Nonrecourse Deductions and Minimum Gain Chargeback. Nonrecourse deductions (as determined according to Treasury Regulation Section 1.704-2(b)(1)) for any Fiscal Year shall be allocated to the Members, ratably, based upon the manner in which income and gain are allocated among the Members for such Fiscal Year. Except as otherwise provided in Section 2(a) hereof, if there is a net decrease in the Minimum Gain during any Fiscal Year, the Members shall be allocated items of income and gain for such Fiscal Year (and, if necessary, for subsequent Fiscal Years) in the amounts and of such character as determined according to Treasury Regulation Section 1.704-2(f). This Section 2(b) is intended to be a Minimum Gain chargeback provision that complies with the requirements of Treasury Regulation Section 1.704-2(f), and shall be interpreted in a manner consistent therewith.

(c) Qualified Income Offset. If any Member unexpectedly receives an adjustment, allocation, or distribution described in Treasury Regulation Section 1.704 1(b)(2)(ii)(d)(4), (5) and (6) has an Adjusted Capital Account Deficit as of the end of any Fiscal Year, computed after the application of Sections 2(a) and (b) hereof, but before the application of any other provision of this Exhibit B, then items of income and gain for such Fiscal Year shall be allocated to such Member in proportion to, and to the extent of, such Adjusted Capital Account Deficit in order to eliminate such Adjusted Capital Account Deficit as quickly as possible. This Section 2(c) is intended to be a qualified income offset provision as described in Treasury Regulation Section 1.704 1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.



(d) Loss Limitation. The Net Losses, Loss on Sale (and items of loss and deduction thereof) allocated pursuant to this Agreement shall not exceed the maximum amount of losses that can be so allocated without causing any Member to whom such losses would otherwise be allocated to have an Adjusted Capital Account Deficit.

(e) Regulatory Allocations. The allocations set forth in Sections 2(a)-(d) of this Exhibit B (the "Regulatory Allocations") are intended to comply with certain requirements of Sections 1.704-1(b) and 1.704-2 of the Treasury Regulations. The Regulatory Allocations may not be consistent with the manner in which the Members intend to allocate Net Profit and Net Loss, Gain on Sale and Loss on Sale, and items of income, gain, loss and deduction of the Company or make distributions. Accordingly, notwithstanding the other provisions of this Exhibit B, but subject to the Regulatory Allocations, items of income, gain, loss and deduction shall be reallocated among the Members so as to eliminate the effect of the Regulatory Allocations and thereby cause the respective Capital Accounts of the Members to be in the amounts (or as close thereto as possible) they would have been if Net Profits and Net Losses, Gain on Sale and Loss on Sale (and such other items of income, gain, deduction and loss) had been allocated without reference to the Regulatory Allocations. In general, the Members anticipate that this will be accomplished by specially allocating Net Profits, Net Losses, Gain on Sale, Loss on Sale and other items of income, gain, deduction and loss among the Members so that the net amount of the Regulatory Allocations and such special allocations to each such Member is zero. In addition, if in any Fiscal Year there is a decrease in Minimum Gain, or in partner nonrecourse debt minimum gain, and application of the minimum gain chargeback requirements set forth in Sections 2(a) or (b) hereof would cause a distortion in the economic arrangement among the Tax Matters Member may, if it does not expect that the Company will have sufficient other income to correct such distortion, request the Internal Revenue Service to waive either or both of such minimum gain chargeback requirements. If such request is granted, this Agreement shall be applied in such instance as if it did not contain such minimum gain chargeback requirement.



**EXHIBIT C**  
**CHARITY CARE POLICY**



<b>Crestwyn Health Group</b>	<b>SECTION:</b>	<b>NO:</b>
	<b>TITLE:</b> Financial Assistance and Charity Care	<b>DISTRIBUTION:</b> Policy & Procedure Manual
<b>Original Date of Issue:</b>		<b>Date of Approval:</b>
<b>Revised:</b>		

**POLICY:**

Crestwyn Health Group (the "Hospital") will provide healthcare services to all persons in need of medically necessary care regardless of ability to pay. The Hospital has established the following criteria for financial assistance and charity care (collectively "Charity Care").

**PROCEDURES:**

- I. Communications to the public:  
The Hospital's Charity Care policy shall be made publicly available through the following elements.
  - A. A notice advising patients that the Hospital provides Charity Care shall be posted in key areas, including admissions, reception and nursing units.
  - B. The Hospital will concurrently distribute a written notice indicating the policy to patients at the time that the Hospital requests information pertaining to third party coverage.
    1. The written information will also be verbally explained at this time.
    2. The patient must then sign the notice, indicating that he/she was duly informed of the availability of Charity Care.
    3. A copy of the signed notice will be placed in the patient's chart.
    4. If for some reason, for example in an emergency situation, the patient is not notified of the existence of Charity Care before receiving treatment; he/she will be notified in writing as soon as possible thereafter.



<b>Crestwyn Health Group</b>	<b>SECTION:</b>		<b>NO:</b>	
	<b>TITLE:</b> Financial Assistance and Charity Care		<b>DISTRIBUTION:</b> Policy & Procedure Manual	
<b>Original Date of Issue:</b>			<b>Date of Approval:</b>	
<b>Revised:</b>				

- C. The Hospital shall train appropriate staff to answer charity care questions effectively or direct such inquiries to the appropriate department in a timely manner.
- D. Written information about the hospital's Charity Care Policy shall be made available to any person who requests the information, either by mail, by telephone or in person.
- E. The Hospital's sliding fee schedule, if applicable, shall also be made available upon request
- F. Admitting will provide the information of patient's eligibility for Charity Care to the patient's Discharge Planner.
  - 1. At the time discharge plans are known for patients eligible for charity care the patient's Discharge Planner will provide the packet for the patient
  - 2. If the decision for discharge is made on the day of discharge the Discharge Planner may give the packet for the patient to the patient's Nursing Contact Person.
  - 3. If the patient is discharged from court Admitting will mail a packet to the patient's known address.

**II. Eligibility Criteria**

- A. Charity care is generally secondary to all other financial resources available to the patient, including group or individual medical plans, worker's compensation, Medicare, Medicaid or medical assistance programs, other state, federal, or military programs, third party liability situations or any other situation in which another person or entity may have a legal responsibility to pay for the costs of services.



<b>Crestwyn Health Group</b>	<b>SECTION:</b>	<b>NO:</b>
	<b>TITLE:</b> <b>Financial Assistance and Charity Care</b>	<b>DISTRIBUTION:</b> <b>Policy &amp; Procedure Manual</b>
<b>Original Date of Issue:</b>		<b>Date of Approval:</b>
<b>Revised:</b>		

- B. The medically indigent patient will be granted Charity Care regardless of race, sex, religion, age, national origin, or immigration status.
- C. In those situations where appropriate primary payment sources are not available, patients shall be considered for charity care under this hospital policy based on the following criteria:
  - 1. The full amount of hospital charges will be determined to be Charity Care for a patient whose gross family income is at or below 100% of the current federal poverty level.
  - 2. The sliding fee schedule will be used to determine the amount that will be written off for patients with incomes between 101% and 200% of the current federal poverty level.
- D. Catastrophic Charity: The Hospital may write off as Charity Care amounts for patients with family income in excess of 200% of the federal poverty level when circumstances indicate severe financial hardship or personal loss.
- E. The responsible party's financial obligation, which remains after the application of any sliding fee schedule shall be payable in monthly installments over a reasonable period of time, without interest or late fees, as negotiated between the hospital and the responsible party. The responsible party's account shall not be turned over to a collection agency unless payments are missed or there is some period of inactivity on the account, and there is no satisfactory contact with the patient.
- F. The Hospital shall not require a disclosure of resources from charity care applicants whose income is less than 100% of the current Federal Poverty Level but may require a disclosure of resources from Charity Care applicants whose income is at or above 101% of the current Federal Poverty Level.



<b>Crestwyn Health Group</b>	<b>SECTION:</b>	<b>NO:</b>
	<b>TITLE:</b> <b>Financial Assistance and Charity Care</b>	<b>DISTRIBUTION:</b> <b>Policy &amp; Procedure Manual</b>
<b>Original Date of Issue:</b>		<b>Date of Approval:</b>
<b>Revised:</b>		

### III. Process for Eligibility Determination

#### A. Initial Determination:

1. The Hospital shall use an application process for determining eligibility for charity care. Requests to provide charity care will be accepted from sources such as physicians, community or religious groups, social services, financial services personnel, and the patient.
2. During the patient registration process, or at any time prior to the final payment of the bill and after the patient has been notified of the existence and availability of charity care, the Hospital will make an initial determination of eligibility based on verbal or written application for Charity Care.
3. Pending final eligibility determination, the Hospital will not initiate collection efforts or request deposits, provided that the responsible party is cooperative with the Hospital's efforts to reach a final determination of sponsorship status.
4. If the Hospital becomes aware of factors which might qualify the patient for Charity Care under this policy, it will advise the patient of this potential and make an initial determination that such account is to be treated as Charity Care.

#### B. Final Determination:

1. **Prima Facie Write-Offs:** In the event that the responsible party's identification as an indigent person is obvious to hospital personnel, and the Hospital can establish that the applicant's income is clearly within the range of eligibility, the Hospital will grant Charity Care based solely on this initial determination. In these cases, the Hospital is not required to complete full verification or documentation.



<b>Crestwyn Health Group</b>	<b>SECTION:</b>	<b>NO:</b>
	<b>TITLE:</b> <b>Financial Assistance and Charity Care</b>	<b>DISTRIBUTION:</b> <b>Policy &amp; Procedure Manual</b>
<b>Original Date of Issue:</b>		<b>Date of Approval:</b>
<b>Revised:</b>		

2. Charity care forms, instructions, and written applications shall be furnished to patients when Charity Care is requested, when need is indicated, or when financial screening indicates potential need.
3. All applications whether initiated by the patient or the Hospital, should be accompanied by documentation to verify income amounts indicated on the application form. Any one of the following documents shall be considered sufficient evidence upon which to base the final determination of Charity Care eligibility:
  - a. A "W-2" withholding statement;
  - b. Pay stubs from all employment during the relevant time period;
  - c. An income tax return from the most recently filed calendar year;
  - d. Forms approving or denying eligibility for Medicaid and/or state-funded medical assistance;
  - e. Forms approving or denying unemployment compensation; or
  - f. Written statements from employers or DSHS employees.
4. During the initial request period, the patient and the Hospital may pursue other sources of funding, including Medical Assistance and Medicare. The Hospital may not require that a patient applying for a determination of indigent status seek bank or other loan source funding.
5. Usually, the relevant time period for which documentation will be requested will be a month prior to the admit date. However, if such documentation does not accurately reflect the applicant's current financial situation, documentation will only be requested for the period of time after the patient's financial situation changed.
6. In the event that the responsible party is not able to provide any of the documentation described above, the Hospital shall rely on written and signed statements from the responsible party for making a final determination of eligibility for classification as an indigent person.



<b>Crestwyn Health Group</b>	<b>SECTION:</b>	<b>NO:</b>
	<b>TITLE:</b> Financial Assistance and Charity Care	<b>DISTRIBUTION:</b> Policy & Procedure Manual
<b>Original Date of Issue:</b>		<b>Date of Approval:</b>
<b>Revised:</b>		

- C. The Hospital will allow a patient to apply for Charity Care at any point from pre-admission to final payment of the bill, recognizing that a patient's ability to pay over an extended period may be substantially altered due to illness or financial hardship, resulting in a need for charity services. If the change in financial status is temporary, the Hospital may choose to suspend payments temporarily rather than initiate Charity Care.
- D. Time frame for final determination and appeals.
1. Each charity care applicant who has been initially determined eligible for Charity Care shall be provided with at least thirty (30) calendar days, or such time as may reasonably be necessary, to secure and present documentation in support of his or her charity care application prior to receiving a final determination of sponsorship status.
  2. The Hospital shall notify the applicant of its final determination within fourteen (14) days of receipt of all application and documentation material.
  3. The patient/guarantor may appeal the determination of eligibility for Charity Care by providing additional verification of income or family size to the Patient Accounts Manager within thirty (30) days of receipt of notification.
  4. The timing of reaching a final determination of Charity Care status shall have no bearing on the identification of charity care deductions from revenue as distinct from bad debts.
- E. If the patient has paid some or the entire bill for medical services and is later found to have been eligible for Charity Care at the time services were provided, he/she shall be reimbursed within thirty (30) days of receiving the Charity Care designation.
- F. Adequate notice of denial:



<b>Crestwyn Health Group</b>	<b>SECTION:</b>	<b>NO:</b>
	<b>TITLE:</b> Financial Assistance and Charity Care	<b>DISTRIBUTION:</b> Policy & Procedure Manual
<b>Original Date of Issue:</b>		<b>Date of Approval:</b>
<b>Revised:</b>		

1. When a patient's application for Charity Care is denied, the patient shall receive a written notice of denial which includes:
  - a. The reason or reasons for the denial and the rules to support the Hospital's decision;
  - b. The date of the decision; and
  - c. Instructions for appeal or reconsideration.
2. When the applicant does not provide requested information and there is not enough information available for the Hospital to determine eligibility, the denial notice also includes:
  - a. A description of the information that was requested and not provided, including the date the information was requested;
  - b. A statement that eligibility for Charity Care cannot be established based on information available to the Hospital; and
  - c. That eligibility will be determined if, within thirty (30) days from the date of the denial notice, the applicant provides all specified information previously requested but not provided.
3. The Director of Finance and/or Patient Accounts Manager will review all appeals. If this review affirms the previous denial of Charity Care, written notification will be sent to the patient/guarantor and the Department of Health in accordance with state law.

#### IV. Documentation and Records

- A Confidentiality: All information relating to the application will be kept confidential. Copies of documents that support the application will be kept with the application form.
- B. Documents pertaining to Charity Care shall be retained for five (5) years.



**AFFIDAVIT**

OCT 31 '13 PM 12:22

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

CRESTWYN

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn  
Signature/Title

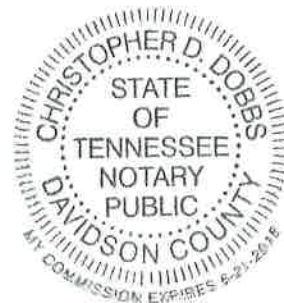
Sworn to and subscribed before me, a Notary Public, this the 31 day of Oct, 2013, witness my hand at office in the County of Davidson, State of Tennessee.

Christopher D. Dobbs  
NOTARY PUBLIC

My commission expires 6-21, 2016.

HF-0043

Revised 7/02





# **COPY- SUPPLEMENTAL-3**

**Crestwyn Behavioral Health**

**CN1310-040**



November 27, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

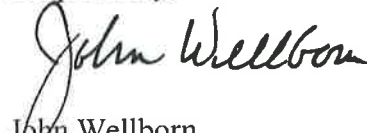
Dear Mr. Earhart:

This letter responds to your most recent request for supplemental information on this application.

Please see the attached executed Second Amendment to the Operating Agreement of Crestyn Health Group, LLC.

We hope this provides the information that Jim Christofferson and you requested from Brant Phillips, in order to accept the application into the December review cycle. If more is needed, please email or telephone me.

Respectfully,



John Wellborn  
Consultant



**SECOND AMENDMENT TO  
OPERATING AGREEMENT**

**OF**

**CRESTWYN HEALTH GROUP, LLC  
(a Tennessee Limited Liability Company)**

This SECOND AMENDMENT TO OPERATING AGREEMENT (hereafter referred to as the "Amendment") is entered into to be effective on October 31, 2013 (the "Effective Date"), by and among Crestwyn Health Group, LLC, a Tennessee limited liability company (the "Company"), and the Members to the Operating Agreement.

Section 3.1 of the Operating Agreement is amended to read as follows:

**3.1. Capital Contributions.**

(a) Each Member shall make a contribution per Interest in an amount determined by the Management Board in its sole discretion. Contributions may be made in cash or services or other property as determined by the Management Board. The Management Board, in its sole discretion, shall determine whether a contribution of services or property other than cash to the capital of the Company shall be allowed.

(b) For its initial Capital Contribution, the Hospital, which is the owner of that certain parcel of real estate described more specifically on attached Exhibit D, which has a deemed value of \$4,500,000.00 (the "Real Estate"). The Hospital shall contribute the Real Estate on a date determined by the Management Board. In exchange for its contribution of the Real Estate, Hospital will receive the Class A Interests.

(c) For its initial Capital Contribution, the Class B Members shall contribute cash in the amount of \$25,200,000.00 for the purpose of constructing a behavioral health facility on the Real Estate and for the purpose of providing the Company working capital. The Class B Member shall contribute such cash in incremental amounts at determined by the Management Board.

It is understood and agreed that in each and every respect the terms of the Operating Agreement, except as amended hereby, shall remain unchanged, and the same is hereby ratified, approved, and confirmed by the parties hereto.

**IN WITNESS WHEREOF**, the Company and the Members have executed this Second Amendment as of the date first above written.



**SUPPLEMENTAL- # 3**

MANAGING MEMBER:

**November 27, 2013  
2:20pm**

ACADIA MERGER SUB, LLC

By: C.H.  
Name: Christopher Howard  
Title: VP Secretary

CLASS A MEMBER:

BAPTIST MEMORIAL HEALTH  
SERVICES, INC.

By: Jason Little  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

COMPANY:

CRESTWYN HEALTH GROUP, LLC

By: C.H.  
Name: Christopher Howard  
Title: VP Secretary



## EXHIBIT D

BEING A SURVEY OF THE BAPTIST MEMORIAL HEALTH CARE CORPORATION PROPERTY AS DESCRIBED AS PARCEL 2 IN INSTRUMENT NUMBER HE 1096 AT THE SHELBY COUNTY REGISTER OFFICE, AND BEING LOCATED IN SHELBY COUNTY, TENNESSEE AND BEING MORE PARTICULARLY DESCRIBED ASA FOLLOWS:

BEGINNING AT A SET  $\frac{1}{4}$ " IRON PIN ON THE SOUTH LINE OF WINCHESTER ROAD (134' WIDE PUBLIC R.O.W.) 30.00 FEET EAST OF THE TANGENT INTERSECTION OF SAID SOUTH LINE WITH THE EAST LINE OF CRESTWYN HILLS DRIVE (68' WIDE PUBLIC R.O.W.);

THENCE S  $88^{\circ}15'30''$  E ALONG SAID SOUTH LINE 212.16 FEET TO A SET  $\frac{1}{4}$ " IRON PIN AT THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE EASTWARDLY ALONG SAID SOUTH LINE AND ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 3752.72 FEET, AN ARC LENGTH OF 301.11 FEET AND A CHORD OF 301.03 FEET (S  $85^{\circ}57'35''$  E) TO A SET  $\frac{1}{4}$ " IRON PIN AT THE POINT OF TANGENCY;

THENCE S  $83^{\circ}39'40''$  E ALONG SAID SOUTH LINE 227.35 FEET TO A SET  $\frac{1}{4}$ " IRON PIN AT THE BEGINNING OF A CURVE TO THE LEFT;

THENCE EASTWARDLY ALONG SAID SOUTH LINE AND ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 3886.72 FEET, AN ARC LENGTH OF 456.89 FEET AND A CHORD OF 456.63 FEET (S  $87^{\circ}01'43''$  E) TO A SET  $\frac{1}{4}$ " IRON PIN AT THE POINT OF TANGENCY;

THENCE N  $89^{\circ}36'13''$  E ALONG SAID SOUTH LINE 352.74 FEET TO A SET  $\frac{1}{4}$ " IRON PIN ON WEST LINE OF THE CITY OF MEMPHIS PROPERTY (INSTRUMENT NUMBER JS 4600), SAID POINT ALSO BEING 20.00 FEET EAST OF THE WEST LINE OF A 150 FOOT WIDE TVA EASEMENT (INSTRUMENT NUMBER Y8 9513);

THENCE S  $00^{\circ}06'23''$  E 20.00 FEET EAST OF AND PARALLEL TO SAID WEST LINE OF TVA EASEMENT A DISTANCE OF 424.49 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN ON THE NORTH LINE OF THE CITY OF MEMPHIS PROPERTY (INSTRUMENT NUMBER JM 8143);

THENCE S  $89^{\circ}53'37''$  W ALONG SAID NORTH LINE 600.07 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN AT THE NORTHWEST CORNER;

THENCE S  $00^{\circ}05'20''$  E ALONG THE WEST LINE OF SAID CITY OF MEMPHIS PROPERTY 799.93 FEET TO A SET  $\frac{1}{4}$ " IRON PIN AT AN ANGLE POINT;

THENCE S  $19^{\circ}16'20''$  E ALONG SAID WEST LINE 1219.33 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN ON THE NORTH LINE OF THE STATE OF TENNESSEE PROPERTY (INSTRUMENT NUMBER BN 2700), SAID POINT ALSO BEING ON THE NORTH LINE OF A 100 FOOT ELECTRIC TRANSMISSION LINE EASEMENT (INSTRUMENT NUMBER BN 2700);

THENCE S  $89^{\circ}45'06''$  W ALONG SAID NORTH LINE 1657.37 FEET TO A FOUND  $\frac{1}{4}$ " IRON PIN ON THE EAST LINE OF THE FOREST HILL ASSOCIATES PROPERTY (INSTRUMENT NUMBER F2 6206);



**EXHIBIT D - CONTINUED**

THENCE N 19°22'10" W ALONG SAID EAST LINE 966.85 FEET TO A FOUND 1/4" IRON PIN ON THE EAST LINE OF CRESTWYN HILLS DRIVE;

THENCE NORTHEASTWARDLY ALONG SAID EAST LINE AND ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 859.00 FEET, AN ARC LENGTH OF 1032.48 FEET AND A CHORD OF 971.44 FEET (N 36°10'31" E) TO A SET 1/4" IRON PIN AT THE POINT OF TANGENCY;

THENCE N 01°44'30" E ALONG SAID EAST LINE 732.68 FEET TO A SET 1/4" IRON PIN AT THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE NORTHEASTWARDLY ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 30.00 FEET, AN ARC LENGTH OF 47.12 AND A CHORD OF 42.42 FEET (N 46°44'43" E) TO THE POINT OF BEGINNING.

**LESS AND EXCEPT:**

All property within Phase I, Germantown Business Park, as shown on plat of record in Plat Book 214, Page 24, in the Register's Office of Shelby County, Tennessee, to which plat reference is hereby made for a more particular description of said property.



**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: CRESTWYN BEHAVIORAL HEALTH

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

John Wellborn  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 27 day of NOVEMBER, 2013, witness my hand at office in the County of DAVIDSON, State of Tennessee.

[Signature]  
NOTARY PUBLIC

My commission expires 1-11, 17.

HF-0043

Revised 7/02







## State of Tennessee

### Health Services and Development Agency

Andrew Jackson Building, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax:615/532-9940

October 30, 2013

John Wellborn  
Development Support Group  
4219 Hillsboro Road, Suite 210  
Nashville, TN 37215

RE: Certificate of Need Application CN1310-040  
Crestyn Behavioral Health

Dear Mr. Wellborn:

This will acknowledge our October 30, 2013 receipt of supplemental response for a Certificate of Need for the establishment of a sixty (60) bed psychiatric hospital located at an unaddressed tract of land on the east side of Crestwyn Hills Drive, Germantown (Shelby County), TN 38138.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 2:00 pm, Thursday October 31, 2013. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

**1. Section A, Applicant Profile, Item 1.**

Your response is noted. The LOI notes the proposed city of the applicant will be Germantown, TN rather than Memphis, TN. Please provide a corrected page.

**2. Section A, Applicant Profile Item 6**

The legal interest in the site by a letter of commitment by Baptist Memorial Health Systems, Inc. (BMHSI) is noted. However, please provide a copy of the contract that specifies BMHSI is committed to contributing the land to Crestwyn Health Group, LLC in exchange for a 20% interest in the company upon issuance of a Certificate of Need (CON) to the applicant.

**3. Section C. (Need) 1. Specific Criteria (Inpatient Psychiatric Units) Item C.2.**

Please indicate the designated Medically Underserved Areas of the proposed service area as designated by the U.S. Health Resources and Services Administration. The applicant states the response will be provided under separate cover on October 30. Please submit.



**4. Section C. (Need) Item 6. (The Applicant's Historical and Projected Utilization)**

The projected utilization in Years One and Year Two of the proposed project is noted. However, in the table provided by the applicant for Year two notes total patient days of 16,231, while the projected data chart and other parts of the application reflects 16,225 days. Please clarify.

**5. Section C. (Economic Feasibility) Item 10**

Your response is noted. The applicant states the financial information will be filed under separate cover. Please provide a copy of the referenced financial documents provided as attachment C. Economic Feasibility – 10.

**6. Section C. Orderly Development, Item 3**

The Projected Staffing as listed in Table Twenty is noted. Please clarify how the applicant can increase full-time positions from fifty-five (55) in the original application, to 63.5 in the supplemental application with no increase in the salaries and wages expense amount in the Projected Data Chart. .

In accordance with Tennessee Code Annotated, §68-11-1607(c)(5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires and additional examination fee." **For this application, the sixtieth (60<sup>th</sup>) day after written notification is December 23, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party



opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,



Phillip M. Earhart, HSD Examiner

PME

Enclosure



**ORIGINAL-  
Additional Info.**

**SUPPLEMENTAL-2**

**Crestwyn Behavioral Health**

**CN1310-040**



NOV 14 '13 PM 2:08

November 4, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN 1310-040  
Crestwyn Behavioral Health

Dear Mr. Earhart:

This letter transmits an amendment to the Operating Agreement that was submitted to you on October 31, in our second supplemental responses on this project.

It clarifies the parties' uninterrupted commitment to proceed with this application, by formally extending to Dec. 31, 2015 the date by which a CON must be obtained in order for the applicant LLC to continue in existence.

The identified potential for the Dec. 31, 2013 dissolution of the LLC prior to HSDA review in January has now been eliminated. With this clarification of intent, Baptist and Acadia are very hopeful that HSDA staff will accept this application into the November-January review cycle.

Respectfully,



John Wellborn  
Consultant



**FIRST AMENDMENT TO  
OPERATING AGREEMENT**

**OF**

**CRESTWYN HEALTH GROUP, LLC  
(a Tennessee Limited Liability Company)**

This FIRST AMENDMENT TO OPERATING AGREEMENT (hereafter referred to as the "Amendment") is entered into to be effective on October 31, 2013 (the "Effective Date"), by and among Crestwyn Health Group, LLC, a Tennessee limited liability company (the "Company"), and the Members to the Operating Agreement.

Section 8.6 of the Operating Agreement is amended to read as follows:

**8.6. Dissolution Upon Failure to Obtain CON.**  
Notwithstanding any other provisions of this Article 8, the Company and each of the Members hereby covenant and agree that if the Company is not issued the CON on or prior to December 31, 2015, then promptly after such date, the Company shall be dissolved and the assets of the Company shall be distributed to the Members as follows: (a) the Real Estate shall be distributed by the Company to the Class A Member in its "AS IS" condition free and clear of all encumbrances and (b) all other assets of the Company, including cash, shall be distributed to the Class B Member free and clear of all encumbrances. After dissolution of the Company, the Class A Member shall then terminate the existence of the Company as promptly as possible.

It is understood and agreed that in each and every respect the terms of the Operating Agreement, except as amended hereby, shall remain unchanged, and the same is hereby ratified, approved, and confirmed by the parties hereto.

**IN WITNESS WHEREOF**, the Company and the Members have executed this First Amendment as of the date first above written.

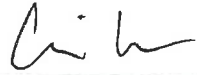


**November 4, 2013**

**2:26pm**

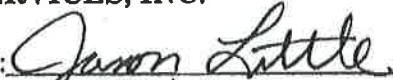
**MANAGING MEMBER:**

**ACADIA MERGER SUB, LLC**

By:   
Name: CHRISTOPHER L. HOWARD  
Title: VP AND SECRETARY


**CLASS A MEMBER:**

**BAPTIST MEMORIAL HEALTH  
SERVICES, INC.**

By:   
Name: JASON LITTLE  
Title: EXP/CEO

**COMPANY:**

**CRESTWYN HEALTH GROUP, LLC**

By:   
Name: CHRISTOPHER L. HOWARD  
Title: VP AND SECRETARY



AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSONNAME OF FACILITY: CRESTWYN BEHAVIORAL HEALTH

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

John Wellborn  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 4 day of November, 2013,  
witness my hand at office in the County of DAVIDSON, State of Tennessee.

[Signature]  
NOTARY PUBLIC

My commission expires 1-11, 17.

HF-0043

Revised 7/02







## State of Tennessee

### Health Services and Development Agency

Andrew Jackson Building, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax:615/532-9940

November 7, 2013

John Wellborn  
Development Support Group  
4219 Hillsboro Road, Suite 210  
Nashville, TN 37215

RE: Certificate of Need Application CN1310-040  
Crestyn Behavioral Health

Dear Mr. Wellborn:

This will acknowledge our October 31, 2013 receipt of supplemental response for a Certificate of Need for the establishment of a sixty (60) bed psychiatric hospital located at an unaddressed tract of land on the east side of Crestwyn Hills Drive, Germantown (Shelby County), TN 38138.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 2:00 pm, Thursday October 31, 2013. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

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#### 1. Section A, Applicant Profile Item 6

The Operating Agreement of Crestwyn Health Group, LLC is noted. Please provide a copy of Exhibit 3.1 that is referenced in the Operating Agreement.

In accordance with Tennessee Code Annotated, §68-11-1607(c)(5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional examination fee." **For this application, the sixtieth (60<sup>th</sup>) day after written notification is December 23, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed



affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,



Phillip M. Earhart, HSD Examiner

PME

Enclosure